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Reassessing the Effects of a Communication-and-Resolution Program on Hospitals’ Malpractice Claims and Costs

Florence R. LeCraw\textsuperscript{1}, Daniel Montanera\textsuperscript{2}, and Thomas A. Mroz\textsuperscript{3}

\textbf{LINK TO ABSTRACT}

This paper describes three major methodological errors appearing in a single \textit{Health Affairs} paper, errors that escaped the scrutiny of the reviewers and editorial staff. It also describes how the editors at \textit{Health Affairs} dealt with the errors once we made them aware.

The research topic that concerns us here explores the impacts of a set of practices gaining popularity at medical facilities, chiefly hospitals. This set of practices is called CRP, for Communication and Resolution Program. CRP is used when a patient suffers an unexpected adverse outcome. It addresses patient safety, medical liability, and healthcare professional wellness. The basic premise of CRP is based on honesty among providers, hospitals, patients, and their families after an unexpected adverse outcome occurs. CRP includes an explanation of the reason for the adverse outcome, an apology if an error occurred, a discussion of ways to prevent recurrence of the error upon future patients, and an offer of proactive compensation. CRP includes a program to help healthcare professionals deal with

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the mental anguish they may experience when their patient experiences an unexpected adverse outcome. CRP is in direct contrast to the common U.S. practice—called Deny, Delay, and Defend by medical-liability experts—in which defense attorneys advise their physician client to not talk to his or her colleagues, the hospital, or the patient and his or her family.

To evaluate CRP, researchers investigate outcomes such as liability, litigation costs, and malpractice claims at CRP-implementing medical facilities. The *Health Affairs* article by Allen Kachalia, Kenneth Sands, Melinda Van Niel, and eight other coauthors (2018) arrives at findings supportive of CRP. We acknowledge the growing body of evidence about the benefits of implementing CRP, but Kachalia et al.’s analysis provides neither supporting nor contradictory evidence. If CRP is to be promoted, the research substantiating its desirability needs to be solid. The thrust of our comment is that the substantiation in Kachalia et al. is fundamentally flawed, and that the case for CRP needs to and, importantly, can be found elsewhere.

We uncovered the errors while studying the impacts of CRP on medical liability outcomes. Whereas Kachalia et al. study CRP as implemented in a Massachusetts hospital, our own involvement with CRP has been chiefly at Erlanger Hospital in Chattanooga, Tennessee. We compared the results from our Chattanooga analysis to those reported in the Kachalia et al. paper. Our detailed reexamination of the results reported in that paper and its online appendix uncovered major deficiencies in their statistical analysis; those authors’ primary conclusions rested upon flawed interpretations of their data. None of their primary conclusions or interpretations can be supported after undertaking a comprehensive correction of their statistical analyses. With millions of dollars being spent developing and administering CRP practices, and several states considering legislation to facilitate CRP, e.g., Georgia House Bill 470, 2023 (link), it is crucial that the empirical evidence regarding CRP’s impact on liability outcomes be reliable.

**Methods**

We used no external data in this reanalysis, nor did we have access to the confidential data used in the original investigators’ statistical analyses. We thank the authors for providing (in private communication) corrections to their tables and other assistance as we reassessed the empirical analyses. Because of the confidential nature of their data, we were only able to assess the findings of Kachalia et al. (2018) by reexamining tables and graphs from that paper and its online appendix. Kachalia et al. studied outcomes in two academic medical centers that used CRP. To shorten the following discussion, we focus on their first CRP-implementing academic medical center, AMC-1. Few of our interpretations change when the
analysis is applied to AMC-2, as demonstrated in our online appendix.

We used two approaches to examine whether the control hospitals used by the authors have the potential to serve as adequate counterfactuals for the treated academic medical centers (hereafter simply “centers”). First, using the estimates reported in their appendix, we tested for whether the trends (slopes) in outcomes for treatment and control centers were identical prior to the introduction of the CRP. To perform the test we calculated the standard error for the difference in prior trends as the square root of the sum of the variance of the two estimators, $\sqrt{\text{se}(\text{pre : slope})_T^2 + \text{se}(\text{pre : slope})_C^2}$, where $\text{se}(\text{pre : slope})_T$ is the reported standard error for the slope before CRP implementation at a treated center and $\text{se}(\text{pre : slope})_C$ is the pre-trend standard error for the control centers. We used a standard $t$-test of equality of slope parameters for each of their six main liability outcomes. Second, we undertook a visual inspection of the trends for these same six outcomes from Exhibits in Kachalia et al.’s paper and its online appendix.

Kachalia et al. (2018) uncovered no significant slope changes for the comparison centers after CRP was introduced; separately, they uncovered some significant slope changes at the CRP-treated center. Given those two findings, the authors concluded that there was statistically significant evidence of improvements in liability outcome trends due to CRP. But their doing so is a classic example of a Difference in Nominal Significance (DINS) error (Allison et al. 2016; Bland and Altman 2015). The correct statistical test requires one to test simultaneously, not separately, for slope changes across the treatment and control centers.

We corrected this error by carrying out a test of the hypothesis that the two slope changes, happening after the CARE implementation date, were identical. We used a simple $t$-test for the equality of the slope change parameters. Similar to the analysis of pre-CRP slopes, we constructed the standard error of the difference in slope changes as $\sqrt{\text{se}(\Delta \text{slope})_T^2 + \text{se}(\Delta \text{slope})_C^2}$, where $\text{se}(\Delta \text{slope})_T$ is the reported standard error for the change in the slope after CRP implementation in a treatment medical center and $\text{se}(\Delta \text{slope})_C$ is the standard error of the trend change for the control medical centers. This approach accounts for DINS errors; it does not assume that the statistically insignificant trend changes found for the control centers are exactly equal to zero.

To construct predicted liability outcomes for the centers, we used the parameter estimates contained in Kachalia et al.’s Exhibits A10 and A12, along with a time trend variable and the mean case mix index for the corresponding center type. Our online appendix (link) contains complete details. It also describes how we infer standard errors for the differences in the predicted effects of trends and estimated upticks (phase) that took place after the time of the CRP implementation, for the treatment and control centers. That appendix additionally presents a set of
comparable results for AMC-2.

**Results**

The first two columns in Table 1 contain Kachalia et al.’s estimates of the pre-CRP implementation slope parameters, for AMC-1 and the control centers, for six liability outcomes. These slope parameters measure how each liability outcome had trended prior to the introduction of CRP. The differences between the treated center and the control centers in estimated slopes (column 3) are substantial, and in all cases the estimated trends for AMC-1 are lower than those estimated for the comparison centers. The t-statistics and p-values reported in the last two columns indicate that three of the six trend differences are individually statistically significant at the 5-percent level for a two-sided test. Using a Bonferroni bound for an overall five-percent level (each individually tested at the .05/6=.0083 significance level), one would reject the null hypothesis that none of the six pre-CRP slope coefficients are different from zero between the treatment center and the control centers. These statistically significant differential trends in liability outcomes during the pre-implementation period suggest that the set of non-implementing centers are unlikely to provide an adequate control group for assessing causal impacts of the CRP at the implementing medical centers.

**TABLE 1. Comparison of liability trends in treatment and control centers before the CRP intervention**

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>AMC-1 pre-slope (standard error)</th>
<th>Comp pre-slope (standard error)</th>
<th>Difference (standard error)</th>
<th>t-stat</th>
<th>2-sided p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>New claims</td>
<td>-0.020 (0.0123)</td>
<td>-0.010 (0.0042)</td>
<td>-0.01 (0.0130)</td>
<td>-0.768</td>
<td>0.442</td>
</tr>
<tr>
<td>Claims receiving compensation</td>
<td>-0.026 (0.0188)</td>
<td>0.004 (0.0072)</td>
<td>-0.030 (0.0201)</td>
<td>-1.493</td>
<td>0.135</td>
</tr>
<tr>
<td>Compensation costs</td>
<td>-0.077 (0.0262)</td>
<td>0.004 (0.0118)</td>
<td>-0.081 (0.0287)</td>
<td>-2.818</td>
<td>0.005</td>
</tr>
<tr>
<td>Defense costs</td>
<td>-0.028 (0.0216)</td>
<td>-0.007 (0.0071)</td>
<td>-0.021 (0.0227)</td>
<td>-0.925</td>
<td>0.355</td>
</tr>
<tr>
<td>Total costs</td>
<td>-0.068 (0.0236)</td>
<td>0.002 (0.0104)</td>
<td>-0.070 (0.0258)</td>
<td>-2.715</td>
<td>0.007</td>
</tr>
<tr>
<td>Average compensation</td>
<td>-0.060 (0.0239)</td>
<td>-0.007 (0.0125)</td>
<td>-0.053 (0.0269)</td>
<td>-1.968</td>
<td>0.049</td>
</tr>
</tbody>
</table>

*Note:* Columns 1 and 2 display point estimates and standard errors reported in Kachalia et al.’s (2018) Exhibits A10 and A12, respectively. The last three columns are our calculations using the estimates and standard errors from the first two columns. The standard errors of the differences assume AMC-1 is independent of the control centers. Standard errors for the differences in slopes are calculated assuming estimators for AMC-1 and comparison centers are uncorrelated. We use the formula: se of difference in trend = \( \sqrt{(se(AMC))^2 + se(Comp-AMC)^2} \).
The first two columns in Table 2 contain Kachalia et al.’s estimates of how the slope parameters changed after the introduction of CRP, for AMC-1 and the control centers, for these six liability outcomes. It is the differences between these slope-change parameters that Kachalia et al. interpreted as measuring the impact of CRP on each liability outcome after controlling for time-varying confounding factors. Kachalia et al. introduced a DINS error by assuming that statistically insignificant slope changes for the control centers could be interpreted as being exactly equal to zero. After addressing this DINS issue, the t-statistics and p-values in Table 2 indicate that not one of the six differences between AMC-1 and the control centers is individually statistically significant even at the 10-percent level. Kachalia et al.’s failure to recognize DINS errors led them to exaggerated conclusions about the statistical significance of the CRP implementation’s effects.

TABLE 2. Comparison of liability trends in treatment and control centers after the CRP intervention

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>AMC-1 slope change (standard error)</th>
<th>Comparison centers slope change (standard error)</th>
<th>Difference in slope change (standard error)</th>
<th>t-stat of difference</th>
<th>2-sided p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>New claims</td>
<td>−0.043 (0.02766)</td>
<td>0.002 (0.01411)</td>
<td>−0.045 (0.03105)</td>
<td>−1.449</td>
<td>0.147</td>
</tr>
<tr>
<td>Claims receiving compensation</td>
<td>−0.025 (0.03958)</td>
<td>0.007 (0.02005)</td>
<td>−0.032 (0.044367)</td>
<td>−0.721</td>
<td>0.471</td>
</tr>
<tr>
<td>Compensation costs</td>
<td>−0.035 (0.05536)</td>
<td>−0.029 (0.03740)</td>
<td>−0.006 (0.06681)</td>
<td>−0.090</td>
<td>0.928</td>
</tr>
<tr>
<td>Defense costs</td>
<td>−0.131 (0.05648)</td>
<td>−0.058 (0.03018)</td>
<td>−0.073 (0.06404)</td>
<td>−1.140</td>
<td>0.254</td>
</tr>
<tr>
<td>Total costs</td>
<td>−0.046 (0.05090)</td>
<td>−0.032 (0.03457)</td>
<td>−0.014 (0.06152)</td>
<td>−0.228</td>
<td>0.820</td>
</tr>
<tr>
<td>Average compensation</td>
<td>−0.004 (0.05215)</td>
<td>−0.028 (0.04153)</td>
<td>0.024 (0.06667)</td>
<td>0.360</td>
<td>0.719</td>
</tr>
</tbody>
</table>

Notes: Columns 1 and 2 display point estimates and standard errors reported in Kachalia et al.’s (2018) Exhibits A10 and A12, respectively. The last three columns are our calculations using the estimates and standard errors from the first two columns. The standard errors of the differences assume AMC-1 is independent of the control centers. Standard errors for the differences in slopes are calculated assuming estimators for AMC-1 and Comparison centers are uncorrelated. We use the formula: se of difference in trend = \sqrt{se^{2}(AMC1)^2 + se^{2}(Comp:AMC)}^2.  

Figure 1 displays predicted levels of new claims and legal-defense costs using the estimates from the interrupted time series analyses used by Kachalia et al. (2018) and reported in their appendix. The blue lines are the estimated regression lines (predicted values) for claims and defense costs during the pre-CRP (pre-CARE) implementation period. The orange lines are predictions of these outcomes in the post CRP-implementation period. The blue dots are extrapolations of the trends from the pre-CRP period, constructed by assuming the slopes from the pre-CRP period did not change. The top two graphs are the predictions for AMC-1
Figure 1. Reanalyzed predicted liability outcomes

**Notes:** Figure 1 presents the predicted values from Kachalia et al.’s interrupted time series models for two liability outcomes using the estimates reported in their paper and its online appendix. The top two graphs contain the predicted liability outcome values for the CARtreated center (AMC-1) and lower two graphs contain the predicted values of the same two liability outcomes for the set of control centers. All outcomes are measured as the rate per 100,000 clinical encounters. The solid blue line connects the predictions for the time periods prior to the implementation of CAR, and the dotted blue lines are extrapolations using the time trends estimated in pre-CAR implementation time period. which implemented CRP in 2013, and the lower two graphs are for their group of non-implementing comparison centers over the same time periods. All are evaluated at their respective mean value of the case mix index over the observation period. The important takeaway from these graphs is the large spike in both of the liability outcomes that took place at AMC-1 as soon as CRP was implemented. The comparison centers experienced no such increases about the time CRP was
**Figure 2.** Comparative pre-post implementation changes in outcomes: Re-analysis of Kachalia et al. (2018) AMC-1

**Notes:** Y-axis is difference in percent changes; a 150, for example, could mean a 200% increase at AMC-1 vs. a 50% increase at comparisons. X-axis is quarters since CARe (CRP) implementation. Figure 2 presents estimates of the impact of the CARe CPR at AMC-1 over the post-CARe implementation period in percentage terms. It uses the estimates reported by Kachalia et al. from their interrupted time series models. Each of the four graphs corresponds to one liability outcome and the estimated impacts over the post-CARe period come from the estimates reported in their paper and its online appendix. The dotted lines provide pointwise 95% confidence intervals for those effects. These estimates compare how the predicted trends for each liability outcome changed differentially for the treated AMC-1 from the pre-CARe period to the post-CARe period, relative to the same change estimated for the group of control centers.
implemented at AMC-1. Additionally, the post-implementation date decline in defense costs for the comparison centers indicates that the simple slope changes observed for the treated AMC (e.g., using the treated center as its own control) would be inadequate for assessing the impacts of the CRP.

Figure 2 illustrates the most essential element of this re-analysis. It displays how the impact of CRP on four liability outcomes at AMC-1 evolved over the four and a half years (18 quarters) following its inception in January 2013. The solid lines in this figure measure the complete effect of CRP by considering how both the levels of the outcomes and their slopes, in percentage terms, changed beginning in 2013. Figure 2 uses the estimates reported by Kachalia et al. from their interrupted time series models. Each of the four graphs corresponds to one liability outcome. The estimated impacts over the post-CRP period come from the estimates reported in their paper and its online appendix. The dotted line provides pointwise 95-percent confidence intervals for those effects. These estimates compare how the predicted trends for each liability outcome changed differentially for the treated AMC-1, from the pre-CRP period to the post-CRP period, relative to the same change estimated for the group of control centers. They adjust for common post-2012 changes in liability conditions that affected both the treated and comparison centers. Our online appendix (link) contains complete details on how we constructed the graphs in this figure.

Consider, for example, compensation costs. While the slope did become more negative, as emphasized by Kachalia et al., the complete impact of CRP implied a 200 percent increase in compensation costs (a tripling) immediately following CRP implementation at AMC-1 (relative to the changes measured for the comparison centers). Over the entire study period, the predicted compensation costs at AMC-1 (implied by their estimates) remain at least twice as large as they would have been in the absence of CRP. For none of the four outcomes in Figure 2 was there any evidence of statistically significant reductions in liability outcomes that could be attributed to CRP.

**Discussion**

Kachalia et al. (2018) studied the effect of CRP on liability outcomes at two centers. Their abstract states that “CRP implementation was associated with improved trends in the rate of new claims and legal defense costs at some hospitals, but it did not significantly alter trends in other outcomes. None of the hospitals experienced worsening liability trends after CRP implementation” (Kachalia et al. 2018, 1836). These conclusions would seem to provide compelling evidence that hospitals can enjoy the benefits of CRP without significant cost. Such findings
would doubtless be encouraging to the proponents of CRP and be used to support CRP implementations. We have determined, however, that the study does not provide evidence of improving liability outcomes or even no worsening of liability outcomes. We uncover less sanguine interpretations of the impacts of CRP in the settings they studied.

The evidence on the absence of comparable trends in liability outcomes between the treatment and comparison centers contained in our Table 1 strongly suggests that the comparison centers are not valid to use as a control sample. The slopes before CRP came into effect are very different between the treatment and control centers. It is, therefore, difficult to imagine why the post-CRP slope change at the comparison centers would be a suitable counterfactual for the slope change that would have taken place at the treated center had CRP not taken place.

This conclusion becomes apparent upon visual inspections of Kachalia et al.’s Exhibits 2 and 3, and online appendix Exhibits A5 and A6. For most liability outcomes displayed, the lack of agreement in slopes between the treatment and comparison centers is severe. For new malpractice claims (their Exhibit 2), the slopes for AMC-1 and the comparison centers are somewhat similar for the first part of the pre-implementation period. Over the 12 quarters immediately preceding the CRP implementation, however, the slopes diverge. For total malpractice liability claim cost rates (their Exhibit 3), there is never any similarity in the slopes during the pre-implementation period among the centers. Only for new claims (in Exhibit A5) and defense costs (in Exhibit A6) is there any semblance of parallel slopes prior to the implementation of CRP. Their set of comparison centers should not be considered as an adequate control group for uncovering causal impacts without additional justification.

Focusing on only changes in slopes, which is the main causal evidence discussed by Kachalia et al. (2018), our Table 2 uncovers no evidence of statistically significant reductions. This finding is in stark contrast with their claim of significant decreases in slopes for new claims and defense costs. For an interrupted time-series analysis with a control group to provide causal evidence, one should compare the changes in slope after implementation between the treatment and control centers. The authors do make that comparison. However, they assumed implicitly that the insignificant slope changes for the comparison group meant that the comparison group’s slope change is exactly zero. Consequently, they only considered the change in slope for the treated center and its standard error.

That implicit assumption made by Kachalia et al. is known as a Difference in Nominal Significance (DINS) error, and it indicates that they used an inappropriate baseline for causal inference (Allison et al. 2016; Bland and Altman 2015). Even using conventional thresholds of significance, DINS errors can “inflate the false-positive rate from 5% to as much as 50%” (Allison et al. 2016). More simply,
DINS errors can make estimated causal effects look considerably more statistically significant than they actually are. The tests for differences in slope changes between the treatment and control centers in Table 2 properly account for the sampling variability in both the treatment and control groups. Those tests do not contain DINS errors, so the correct interpretation of the estimates Kachalia et al. reported should have been that there were no statistically significant improvements in slopes as a result of CRP.

Additionally, Kachalia et al. (2018) focused almost exclusively on changes in the trends for liability outcomes over time between treatment and control hospitals to reach their conclusion of improvements in liability outcomes post-CRP. There were, however, large increases in adverse liability outcomes at the CRP-treated hospitals immediately following the implementation of CRP. In some instances, these increases implied that estimated liability outcomes more than tripled immediately after CRP commenced. The investigators’ analysis abstracted from these large and important deteriorations in liability outcomes. More importantly, after factoring in these increases, there was never a significant reduction in any of the liability outcomes we examined at the treated hospitals (relative to the control hospitals) after the introduction of CRP.

**Limitations**

Since we did not have access to the data used by the authors, and they were unable to perform some additional statistical analyses to help resolve issues, we were impelled to make several statistical assumptions. The measures of statistical significance in Tables 1 and 2 and Figure 2 rely upon the assumption that the samples of treatment and control centers are independent. Additionally, we could not retrieve enough information to allow us to construct accurate confidence intervals in Figure 2. We did, however, use information on how time slopes and intercepts covary in regression models to make informed guesses. See our online appendix (link) for more details.

The graphs in Kachalia et al. (2018) and their online appendix were based on a smoothing technique called LOWESS. In the presence of seasonality in liability outcomes (e.g., more claims tend to be filed in the fourth calendar-year quarter than the first quarter), a LOWESS graph can confuse seasonality and smoothing and exhibit excessive variability. The visual inspection we made relied upon their LOWESS graphs, and the extreme variability in slopes could reflect more the naive LOWESS approach and less the true slope changes over time.
Interactions with *Health Affairs*

Kachalia et al. (2018) implicitly overstated the relevance and accuracy of their results for an assessment of the impact of CRP on legal-defense costs and the rate of new claims at centers that implemented CRP. We agree with their statement that the trend coefficients for defense costs and rate of new claims “improved” at the implementing centers (Kachalia et al. 2018, 1841), but our reassessment of their data demonstrated no significant effect of CRP on the actual level of defense costs or rate of new claims when compared formally to the trends at the non-implementing centers. Their failure to assess in detail the quality of the set of centers used as controls, their primary focus on the statistical significance of individual coefficients, and their disregard of statistically insignificant coefficients all led to misleading conclusions.

All the evidence behind the present reassessment was available in the original article and hence to the editors and reviewers at *Health Affairs*, and two of the three major flaws we uncovered follow directly from only a moderately close examination of the paper’s tables. The review process clearly failed in this instance. Such failure does not appear to be a rare event in health research, as indicated by several other investigations (Ebrahim et al. 2014; Khan et al. 2020; Ito et al. 2021).

Most importantly, *Health Affairs*’ response to the uncovering of these errors, even after the external reviewers concurred with our reanalysis, was to offer only a reduced-visibility forum for the reanalysis. Additionally, their editorial staff refused to allow us to publish in *Health Affairs* more than a brief exchange—as Letters to the Editor—with the original authors. More concerning was a senior *Health Affairs* editor telling us that their policy is to not publish replication papers even when peer review errors are identified since their audience is not interested in this type of paper. Unfortunately, burying or ignoring the uncovering of all but the most scandalous errors in published research seems to be the norm in health policy and medical journals. At the 2022 International Congress of Peer Review and Scientific Publication, four editors-in-chief of medical journals told one of us that they also did not publish replication studies. They all said they were concerned that publishing replication papers would negatively affect their impact factors. That editorial boards’ main concerns seem to be monetary or visibility-related, as opposed to improving science or potentially correcting significant errors, is deeply troubling.

Due to the attitudes of the editorial boards described above, most researchers perceive little or no reward for attempts to uncover such deficiencies in medical and healthcare papers. Medical journals, as well as academic institutions,
should strongly encourage and reward replications and re-analyses of published papers. We think of the paraphrasing of a sentiment often attributed to Mark Twain or Josh Billings: “It ain’t what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.”

Appendix

Our online appendix (link) contains Appendix Tables A1 and A2 (comparing the pre-CARe implementation slopes and the post CARe implementation slope changes between AMC-2 and the control centers for the same six liability outcomes examined in Tables 1 and 2 in the main text—again, CARe is a form of a CRP) and an explanation of the method for calculating standard errors for differences in outcomes between treated and control centers when intercept shifts are non-zero.

Data and code

Data and code used in this research is available from the journal website (link), including:

- Tables 1, 2, A1, A2 code for reading the data in the Excel file
- Kachalia et al.’s slopes and changes (Excel file)
- Figure 1 code
- Figure 2 and Figure A1 code
- Kachalia et al.’s A11 Exhibit sent to us

References


About the Authors

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Health Insurance Mandates and the Marriage of Young Adults: A Comment on Barkowski and McLaughlin

Aaron M. Gamino

In the United States, the most common form of health insurance coverage is through employer-sponsored insurance (ESI) plans. ESI plans cover the workers and their dependents—typically the spouse and children. As a means of increasing young-adult insurance coverage, states and the federal government have enacted “dependent” mandates that expand the definition of a dependent for ESI plans. At the federal level, the Affordable Care Act (ACA) dependent mandate increased the maximum age of an adult child dependent from 18 to 25. In addition to the federal expansion, the majority of states enacted dependent mandates which extended dependent status to children over the age of 18. State mandates commonly required that to be eligible the adult child must be unmarried or a student.

Scott Barkowski and Joanne Song McLaughlin (2022) explore the impact of dependent mandates and their restrictions on the marriage outcomes of targeted young adults. To do so, they use variation in dependent mandate timing and eligibility at both the federal and state (including the District of Columbia) levels. Barkowski and McLaughlin’s identification strategy hinges on a parallel-trends assumption. Their main model assumes that changes in marriage rates for younger persons affected by state and ACA dependent coverage mandates are the same as those for older persons unaffected. Importantly, treatment is defined by age, state,

1. Middle Tennessee State University, Murfreesboro, TN 37132.
and year because different states have different age thresholds. This necessitates the inclusion of age-by-year, state-by-year, and age-by-state fixed effects to isolate the policy’s impact. Age-by-year fixed effects are excluded in all the authors’ models, which leads to the estimates of interest unintentionally capturing age-by-year differences.

In this comment, I summarize the empirical strategy Barkowski and McLaughlin (2022) employed and outline how omitting controls for the interactions of age, year, and state may result in biased estimates. I replicate their findings and estimate the model with the proper set of controls. When the model is correctly specified, I find that the results in Barkowski and McLaughlin (2022) are not statistically significant and, in the case of the likelihood of being married, the signs change, and the estimates are smaller. I perform additional analyses that demonstrate the main regression model specification cannot identify changes in ESI coverage and fails to find support that marriage acts as a mediator of the federal mandate’s impact on ESI coverage.

Barkowski and McLaughlin’s empirical strategy and findings

To assess the impact of dependent mandates on marriage outcomes, Barkowski and McLaughlin (2022) use a sample of young adults aged 19 to 25 from the IPUMS-USA 2000–2015 American Community Survey (ACS), along with their novel legal data. The primary outcome of interest is whether a young adult is married at the interview date. They use the following difference-in-differences (DD) model (Equation 5 in their paper):

\[
Y_{iast} = \beta_1 \text{ELIG}_{iast} \times \text{ACA}_t + \beta_2 \text{ELIG}_{iast} + \text{X}'_{iast}\gamma + a_s + \delta_t + u_{iast},
\]

where \(i, a, s, \) and \(t\) index individual, age in years, state, and time in years, respectively. \(\text{ELIG}_{iast}\) is an indicator taking a value of one for individuals who are currently age-eligible for state dependent mandates. \(\text{ACA}_t\) is an indicator taking a value of one after the ACA dependent mandate went into effect—2011 and onward. \(\text{X}'_{iast}\) is a vector of controls for race, Hispanic ethnicity, gender, the interaction of age and gender, the unemployment rate, and the male population ratio. Lastly, \(a_s\) and \(\delta_t\) are single-year of age and state-by-time fixed effects. Barkowski and McLaughlin use the ACS person weights and cluster standard errors by state.

The two coefficients of interest are \(\beta_1\) and \(\beta_2\). Barkowski and McLaughlin find \(\beta_2\) to be negatively signed and significant and interpret this as implying eligible individuals were less likely to be married than ineligible individuals. \(\beta_1\) is positively
signed and statistically significant. The authors interpret this result as signifying a reduction in the difference in the likelihood of marriage across eligible and ineligible individuals. The magnitude of their estimate for $\beta_1$ range from 4.6 to 30.4 percent of the sample mean, and the magnitude of their estimates for $\beta_2$ range from 4.9 to 13.3 percent of the sample mean.

The authors examine marriage flows using a sample consisting of 23- to 25-year-olds and 27- to 30-year-olds. The marriage entry sample is limited to individuals who married in the last year and individuals who are currently unmarried but were not divorced or were widowed in the last year. The marriage exit sample is limited to individuals who divorced or widowed in the last year and individuals who are currently married. The age and year variables are shifted back by a year to reflect conditions at the start of the reference period. For marriage flows, they use the following model (Equation 6 in their paper):

$$Z_{iast} = \beta_1 ELIG_{iast} \times ACA_t + \beta_2 ELIG_{iast} + \beta_3 ELIG_{iast} \times ACA_t \times OV26_a + \beta_4 ACA_t \times OV26_a + \beta_5 ELIG_{iast} \times OV26_a + \gamma X'_{iast} + \alpha_a + \delta_t + u_{iast}.$$  (2)

This model follows the same notation as Equation 1. $Z_{iast}$ is the marriage flow outcome and $OV26_a$ is an indicator for individuals over 26 years of age. The authors find positive and significant effects for $\beta_1$ and negative and mostly significant effects for $\beta_2$, which the authors interpret in the same fashion as before. The authors find a reduction in marriage entry for individuals under 26 that are ineligible for state mandates and an increase in marriage entry for individuals under 26 that were eligible for state mandates.

**Problems with Barkowski and McLaughlin’s models**

The models employed by Barkowski and McLaughlin (2022) are potentially misspecified difference-in-difference-in-differences (DDD) models. The models omit relevant interaction terms. $ELIG_{iast}$ varies across three dimensions—age, state, and year—which requires the inclusion of three sets of two-way interaction terms: state-by-year, age-by-state, and age-by-year fixed effects. Barkowski and McLaughlin estimate models with various combinations of these two-way interactions included but did not estimate models with all three. Specifically, age-by-year effects are never included.

Barkowski and McLaughlin (2022) justify using a DD model in their primary specification (Equation 5 in their paper), despite the entire sample of 19- to 25-year-olds being treated by the ACA, because the authors predict oppositely
signed effects from the ACA mandate for those eligible and ineligible for state mandates. Barkowski and McLaughlin note that \( ELIG_{as} \) varies across three dimensions but point out that there is no clear prediction for the ACA mandate from a DDD style specification. They argue that the DD approach employed implies that the identification of \( \beta_1 \) and \( \beta_2 \) comes from within-state variation. The authors claim that age-by-year interaction fixed effects are excluded because that would imply identification across states, which they say is less desirable than identification from within-state variation (Barkowski and McLaughlin 2022, 645).

The argument made for using a DD model by Barkowski and McLaughlin (2022) conflicts with the argument made in a related paper by Barkowski, McLaughlin, and Ray (2020), which uses the same variation in a DDD model to identify the impact of mandates on insurance coverage. Barkowski, McLaughlin, and Ray (2020, 1640) note that \( ELIG_{as} \) varies across three dimensions, which necessitates the inclusion of age-by-state, age-by-time, and state-by-time fixed effects—denoted as \( \gamma_{as}, \delta_{st} \), and \( \mu_{as} \), respectively—to correctly identify the effect. This argument contrasts with Barkowski and McLaughlin (2022), where the authors make the case that the exclusion of age-by-year fixed effects is preferred.

Proper identification of state mandate eligibility’s effect on the likelihood of marriage is essential for interpreting both terms of interest in Barkowski and McLaughlin (2022). It is not immediately apparent how the absence of age-by-year (and age-by-state in some specifications) fixed effects affect the base model’s performance. The age-by-year fixed effects alone number over 100 and account for almost 18 percent of the variation in \( ELIG_{as} \).

**Replication and a corrected model**

I begin by replicating Barkowski and McLaughlin’s main results, reported in columns 1–4 of Table 4 in their article (2022, 672). I follow the original analysis and use a sample of young adults aged 19 to 25 from the IPUMS-USA 2000–2015 ACS samples. I use the policy data provided in the replication files to generate the \( ELIG_{as} \) term.

In Table 1, I present the results from my replication of Barkowski and McLaughlin’s (2022, 672) Table 4, and the results from a model that included the full set of two-way interactions. I report the coefficients and standard errors. Columns 1–4 correspond to columns 1–4 in Barkowski and McLaughlin’s Table 4, while column 5 does not. In column 5, I report results from the following DDD model:

\[
Y_{iast} = \beta_1 ELIG_{as} \times ACA_t + \beta_2 ELIG_{as} + X'_{iast}\beta + \delta_{as} + \theta_{st} + \pi_{at} + u_{iast} \quad (3)
\]
Equation 3 follows Equation 1 but includes the additional two-way interaction terms \( \theta_{at} \) and \( \pi_{at} \) which are vectors containing age-by-state and age-by-time fixed effects. When the full set of two-way interactions are included, \( ELIG_{at} \) captures the triple interaction. I closely replicated the results in Barkowski and McLaughlin (2022); the coefficients and standard errors are identical when rounded to the thousandth digit. All but one estimate in both the original and replication are statistically significant at conventional levels.

In column 5, the results from a corrected model are reported. When the model includes state-by-year, age-by-state, and age-by-year fixed effects, the estimated effect of the state mandates and interaction of the state mandates and ACA mandate is very small—virtually zero—and insignificant. In an exercise in Appendix A, I demonstrate that the relevant omitted interaction terms are unintentionally being picked up in the coefficients of interest in Barkowski and McLaughlin (2022), leading to large effects for completely random policies and severe over-rejection rates of the null hypothesis in t-tests (roughly 64 percent of the placebo coefficients are found to be significant).

| TABLE 1. Estimates of state and federal mandate interaction effects on marriage |
|---------------------------------|----------|----------|----------|----------|----------|
|                                | (1)      | (2)      | (3)      | (4)      | (5)      |
| Eligible under state mandates \( \times \) ACA |
| 0.00744**                     | 0.0117** | 0.0302** | 0.0485***| -0.0036 |
| (0.00365)                     | (0.00442)| (0.00589)| (0.00567)| (0.00437) |
| Eligible under state mandates |
| -0.00775**                    | -0.0103**| -0.0210***| -0.0101  | 0.0003   |
| (0.00376)                     | (0.00421)| (0.00757)| (0.0110) | (0.00408) |
| Corresponding result in Barkowski and McLaughlin (2022, 672) |
| Table 4, Column 1 | Table 4, Column 2 | Table 4, Column 3 | Table 4, Column 4 | n/a |
| Linear state trend           | Yes      | Yes      | No       | No       | No |
| Quadratic state trend        | No       | Yes      | No       | No       | No |
| State-year FE                | No       | No       | Yes      | Yes      | Yes |
| Age-state FE                 | No       | No       | No       | Yes      | Yes |
| Age-year FE                  | No       | No       | No       | No       | Yes |
| Observations = 3,199,012     |           |           |           |           |      |

Notes: Estimated coefficients and standard errors (in parenthesis) are reported. Columns 1–4 are replications of the results in Barkowski and McLaughlin’s Table 4 (2022, 672). Column 5 is the specification including the full set of two-way interactions. All regressions were performed using ACS person weights with standard errors clustered by state. *, **, and *** indicate statistical significance at the 10, 5, and 1 percent levels, respectively.

Next, I replicate the results from Table 9 in Barkowski and McLaughlin (2022, 682) and report additional results that include the necessary two-way interactions. Due to the size of the table, I separated the table by the model used. In my Table 2, I report results for the 19- to 25-year-old sample, and in my Table 3, I report the results for the 23- to 25-year-old and 27- to 30-year-old sample.
report results for the likelihood of being married and the marriage entry outcomes. Results for the likelihood of being divorced and marriage exit, which includes those widowed, are reported in Appendix B.

In Table 2, columns 1, 2, 4, and 5 correspond to results in Barkowski and McLaughlin’s Table 9. Columns 3 and 6 are results from models that include all two-way interactions. The results from the replication are close to the originals, with most estimates agreeing to the thousandth digit. The replicated results find that the ACA significantly increased the likelihood of state-eligible young adults being married by around 2 to 2.6 percentage points relative to state-ineligible young adults. In column 3, when the full set of interactions is included, the estimated effect is insignificant and nearly zero. Turning to the estimated effect of state mandate eligibility, there is a significant decrease in the likelihood of being married when only state-by-year interactions are included. Once the additional interactions are included, the estimated effect decreases in magnitude, loses significance, and changes sign. The magnitude and sign of the ACA’s effects on the likelihood of marriage entry among those eligible for state mandates are consistently around 0.4–0.5 percentage points regardless of the interactions included. However, when the full set of interactions is included, the effect becomes statistically insignificant. The estimated effect of state mandate eligibility on marriage entry is negatively signed across each specification and insignificant when the full set of interactions is included.

<table>
<thead>
<tr>
<th>TABLE 2. Estimates of state and federal mandate interaction effects on the likelihood of being married and marriage entry, ages 19 to 25</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
</tr>
<tr>
<td>Dependent variable: married</td>
</tr>
<tr>
<td>Under age 26</td>
</tr>
<tr>
<td>Eligible under state mandates × ACA</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Eligible under state mandates</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Corresponding result in Barkowski and McLaughlin (2022)</td>
</tr>
<tr>
<td>Table 9, Column 1</td>
</tr>
<tr>
<td>State-year FE</td>
</tr>
<tr>
<td>Age-state FE</td>
</tr>
<tr>
<td>Age-year FE</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

Notes: Estimated coefficients and standard errors (in parenthesis) are reported. Columns 1, 2, 4, and 5 are replications of the results in Barkowski and McLaughlin (2022). Columns 3 and 6 are specifications including the full set of two-way interactions. All regressions were performed using ACS person weights with standard errors clustered by state. *, **, and *** indicate statistical significance at the 10, 5, and 1 percent levels, respectively.
In Table 3, columns 4 and 5 correspond to results in Barkowski and McLaughlin’s Table 9 (2022, 682). Columns 1–3 report results for the likelihood of being married in the 23- to 25-year-old and 27- to 30-year-old sample, which are not reported in the authors’ work. Columns 3 and 6 include the full set of two-way interactions. Once again, the results from the replication exercise are consistent with the original results. In this set of results, it is worth mentioning that the labeling of Barkowski and McLaughlin’s Table 9 is inaccurate. The “Under Age 26” effects shown in that table are not identified from those under 26 alone. The indicator variable for eligibility includes young adults that are in the 27- to 30-year-old group. When the full set of interaction terms is included, I find small and insignificant effects for state mandate eligibility and the interaction of state mandate eligibility and the ACA. The interaction of the ACA and state mandate eligibility significantly increases the likelihood of marriage entry, with the estimate retaining significance and increasing in magnitude from 0.4 to 0.9 percentage points as interaction terms are added. State-mandated eligibility significantly reduces the likelihood of marriage entry by around 0.5 to 0.7 percentage points. In most specifications, the impact of state eligibility and the ACA on those that
were state eligible appears to be offsetting. The interpretation that the results are offsetting should be viewed with caution: the variation in state mandate eligibility is limited with only 2 years preceding the ACA and most of the variation comes from eligibility expansions covering those that are too old to be eligible under the ACA mandate. The sample for the marriage entry only includes those that are unmarried (excluding those due to divorce or spousal death in the last year) and those that married in the last year. This will result in some potential issues if either policy impacts marriage; the unmarried sample will shrink in the years after the mandate goes into effect. The marriage entry results should be viewed cautiously in light of the sample selection and the lack of effect found on overall marriage (Table 2, Column 3).

**Insurance and the causal pathway**

The primary motivation provided by Barkowski and McLaughlin (2022) to examine the impact of dependent mandates on marriage stems from changes in the incentives to marry (or remain unmarried) for coverage. Despite the importance of insurance coverage in this motivation, Barkowski and McLaughlin provide only one set of results relating to insurance outcomes; the set of results provided uses a different sample and model than those used to examine marriage outcomes and looks at any coverage rather than ESI coverage which is the target of the dependent mandates. To further assess the plausibility of their findings, I repeat their primary model looking at insurance outcomes and employ a difference-in-differences approach to assess marriage as a mediator on the causal path from the federal dependent mandate to insurance coverage.

In Table 4, I use Barkowski and McLaughlin’s main model to assess the likelihood of having ESI coverage. The table setup follows Table 1 and focuses on those aged 19 to 25 years old. Panel A reports the outcomes for the ACS sample, which only provides information on ESI coverage from 2008 onward. Panels B, C, and D use data from IPUMS CPS to evaluate insurance outcomes for the relevant period of study, 2000–2015. Along with being able to better match the insurance outcome to the study period, the CPS data allows direct exploration of the type of ESI coverage. In Panels C and D, I look at the likelihood of having ESI coverage as a policyholder and having ESI coverage through a spouse’s plan, respectively.

In Panel A, I find no significant changes in the likelihood of the 19- to 25-year-old ACS sample having ESI coverage. In Panel B, where the sample changes

---

2. The reference period for the CPS ASEC differs from the ACS. The CPS ASEC asks about coverage in the last year while the ACS asks about current coverage.
to 19- to 25-year-olds surveyed in the CPS from 2000 to 2015, I again find no significant changes in the likelihood of having ESI coverage. It is possible that the ESI coverage could be a shift in the source, so I explore potential changes in the plan policyholder in Panels C and D. In Panel C, I find no significant changes in the likelihood of being a policyholder for an ESI plan, and, in Panel D, I find no significant changes in the likelihood of being a dependent on a spouse’s ESI plan.

| TABLE 4. Estimates of state and federal mandate interaction effects on employer sponsored insurance coverage |
|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Eligible under state mandates × ACA | Eligible under state mandates | Eligible under state mandates | Eligible under state mandates |
| (1) | (2) | (3) | (4) |
| −0.0005 (0.0044) | 0.0008 (0.0037) | −0.0014 (0.0035) | −0.0008 (0.0038) | −0.0032 (0.0056) |
| 0.0014 (0.0034) | −0.0009 (0.0041) | 0.0011 (0.0059) | 0.0048 (0.0069) | 0.0066 (0.0047) |
| Observations | 2,109,102 | 2,109,102 | 2,109,102 | 2,109,102 |
| Eligible under state mandates × ACA | Eligible under state mandates | Eligible under state mandates |
| (1) | (2) | (3) |
| 0.0108 (0.0121) | 0.0101 (0.0143) | 0.0254 (0.0157) | 0.0252 (0.0152) | −0.0038 (0.0173) |
| −0.0103 (0.0066) | −0.0034 (0.0060) | −0.0082 (0.0099) | −0.0032 (0.0101) | 0.0006 (0.0103) |
| Observations | 211,835 | 211,835 | 211,835 | 211,835 |
| Eligible under state mandates × ACA | Eligible under state mandates |
| (1) | (2) |
| 0.0094 (0.0088) | 0.0129 (0.0113) | 0.0232 (0.0148) | 0.0197 (0.0129) | −0.0046 (0.0134) |
| −0.0073 (0.0070) | 0.0017 (0.0098) | 0.0030 (0.0142) | −0.0171 (0.0117) | −0.0109 (0.0120) |
| Observations | 211,835 | 211,835 | 211,835 | 211,835 |

Linear state trend: Yes, Yes, No, No, No
Quadratic state trend: No, Yes, No, No, No
State-year FE: No, No, Yes, Yes, Yes
Age-state FE: No, No, No, Yes, Yes
Age-year FE: No, No, No, Yes, Yes

Notes: The analytic sample consists of 19–25-year-olds. Panel A uses data from the ACS and Panels B–D use data from the CPS for the indicated years. Estimated coefficients and standard errors (in parenthesis) are reported. All regressions were performed using survey provided weights (ACS or SHADAC CPS health insurance weights) with standard errors clustered by state. *, **, and *** indicate statistical significance at the 10, 5, and 1 percent levels, respectively.
The lack of significant changes in ESI coverage in Barkowski and McLaughlin’s main model is concerning. The literature on the ACA and state dependent mandates consistently finds increases in ESI coverage for young adults. The inability to find any significant changes from leveraging state eligibility and the timing of the ACA dependent mandate suggests that the variation employed is not sufficient. Finding no change in spousal coverage or coverage as a policyholder further suggests that marrying (or staying unmarried) cannot be identified as a relevant factor in this model.

Next, I estimate the effect of the federal mandate on the likelihood of having ESI and assess whether the estimated effects are sensitive to the inclusion of a marriage indicator. In the motivating story, marriage lies on the causal path to insurance coverage. When marriage is included in the regression as a control, I can explore whether the coefficient on the federal mandate significantly changes. The difference-in-difference model I employ includes the same controls as previously used in the ACS sample, along with state, year, and age fixed effects. Using the 2008–2015 ACS, I compare treated young adults (23- to 25-year-olds) to untreated young adults (27- to 30-year-olds) before and after the federal dependent mandate went into effect.

In Table 5, I report the estimated effects of the difference-in-difference analysis. Columns 1 and 3 omit any controls for marriage, and columns 2 and 4 include an indicator for marriage. Columns 1 and 2 do not control for state mandate eligibility, while columns 3 and 4 do. Across each model, the estimated effect is roughly 9.3 percentage points. The estimated effect does not differ when controls for marriage are included, which does not support marriage as a mediator.

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young × Post</td>
<td>0.0932***</td>
<td>0.0929***</td>
<td>0.0929***</td>
<td>0.0926***</td>
</tr>
<tr>
<td></td>
<td>(0.0051)</td>
<td>(0.0050)</td>
<td>(0.0050)</td>
<td>(0.0049)</td>
</tr>
<tr>
<td>Married</td>
<td>0.1028***</td>
<td>0.1028***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0085)</td>
<td>(0.0085)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>2,012,210</td>
<td>2,012,210</td>
<td>2,012,210</td>
<td>2,012,210</td>
</tr>
<tr>
<td>Control for state mandate eligibility</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Note:** The data used is the 2008–2015 ACS. The sample is limited to young adults 23–25 and 27–30 years of age. Estimated coefficients and standard errors (in parentheses) are reported. Estimates are weighted using the ACS person weights with standard errors clustered by state. *, **, and *** indicate statistical significance at the 10, 5, and 1 percent levels, respectively.
Conclusion

Barkowski and McLaughlin (2022) contribute to the economics literature by providing the most accurate documentation of state dependent laws. They use the new set of laws to build on an interesting question first posed by Joelle Abramowitz (2016). Based on their findings, Barkowski and McLaughlin (2022) conclude that state mandates, which often contained marriage restrictions, reduced the likelihood of marriage among age-eligible individuals and that the ACA, which included no marriage restrictions, undid the previous restrictions which discouraged marriage among the state-eligible and, among the state-ineligible, it discouraged marriage to gain coverage through a spouse with employer-sponsored insurance. A careful contemplation of Barkowski and McLaughlin (2022), however, leads one to see that the identification strategy lacks the necessary secondary interaction terms for meaningful interpretation. When the proper interaction terms are included, the main results on the likelihood of being married become small and insignificant. Furthermore, the main model employed is unable to identify any impact on insurance coverage, and there is a lack of evidence that marriage acts as a mediator for the federal dependent mandate’s effect on employer sponsored insurance coverage. In their supplementary analyses that explore the likelihood of being married for a narrower time frame and examine marriage flows, I find a loss of significance for results using the sample of 19 to 25 year olds. I conclude that Barkowski and McLaughlin’s (2022) findings provide little evidence of dependent mandates affecting the likelihood of marriage.

Data and code

The replication materials provided by Barkowski and McLaughlin are obtainable from ICPSR (link). Other data and code used in this research are available from the journal website (link).

Appendix A. Placebo policies

To assess how the omission of age-by-year fixed effects affects inference, I rely on the randomization inference framework from Ronald Fisher (1935). This approach relies on the null hypothesis that $\beta_1 = 0$ to generate p-values. (The procedure outlined in this section is also applied to $\beta_2$.) Under the sharp null, randomly choosing units to be treated would result in an insignificant estimate for
the placebo estimates. These placebo estimates can be used to construct the null
distribution, where $\tilde{\beta}_1$’s p-value is calculated as

$$\frac{\sum_{i=1}^{N} \left| \tilde{\beta}_{1,r=i} \right|}{N} \times 100$$

$\tilde{\beta}_{1,r=i}$ is the estimated coefficient from the $i^{th}$ randomly generated mandates, $\tilde{\beta}_1$ is the estimated coefficient using the actual mandates, and $N$ is the number of randomizations. If $N$ is less than the set of all possible randomizations, an approximate rather than exact p-value is calculated.

One advantage of this approach is that standard errors are not relied on for inference. Instead, the significance of $\tilde{\beta}_1$ is determined by whether $\tilde{\beta}_1$ falls in the tails of the null distribution. Since $\tilde{\beta}_1 = \hat{\beta}_1 + \Sigma bias$, the null distribution allows me to determine how likely a value as extreme as $\tilde{\beta}_1$ can be found due to chance. This approach is more useful than using the t-statistic $\tilde{\beta}_1$, which can be rewritten as $\hat{\beta}_1 + \Sigma bias$, because the bias is included in the construction of the null distribution. The t-statistic from the misspecified model can result in reporting significant effects solely due to bias.

To implement randomization inference, I randomize at the state level rather than the individual level. This is similar to the cluster-level randomization inference outlined in Thomas Barrios et al. (2012). I construct a null distribution by using 1,999 sets of placebo state policies. For each iteration, I randomly draw 33 states to implement a dependent mandate, then randomly assign age eligibility. I mirror the actual policies from Barkowski and McLaughlin (2022) by randomly assigning some policies outside the sample period, changes in eligibility requirements, and some policies coinciding with the ACA.

Before discussing the randomization process, it is worthwhile to discuss the temporal distribution of policies and their amendments relative to the sample period. The 33 treated states can be categorized into six groups:

I. Six states adopted a policy prior to the sample period.
II. One state adopted a policy prior to the sample period and reduced the
eligibility during the sample period.

III. Three states adopted a policy prior to the sample period and expanded eligibility during the sample period.

IV. Fifteen states adopted a policy in the sample period.

V. Three states adopted a policy in the sample period and expanded eligibility during the sample period.

VI. In five states, policy adoption overlapped with the ACA adoption in 2010.

In generating the placebo policies, I keep these same features intact. I randomize by creating a sorting variable drawn from the uniform distribution and then order the states from smallest to largest values of the sorting variable. Next, I use this ordering to create placebo treatments for the 33 states with the smallest values of the sorting variable. I outline the process for each of the six groups below.

I. For each of the first six states, I code the year of adoption as 2000 for simplicity. Next, I generate the placebo age threshold by drawing from uniformly distributed integers on the interval [19,25].

II. For the seventh state, I code the year of initial policy adoption as 2000. I generate the initial placebo age threshold by drawing from the interval [19,25]. I draw a date when the policy is contracted from the interval [2001,2009] and a stricter age threshold on the interval [18, original placebo age].

III. For each of the eighth through tenth states, I code the year of initial policy adoption as 2000. I generate the initial placebo age threshold by drawing from the interval [19,24]. I draw a date when the policy is expanded from the interval [2001,2009] and a more lenient age threshold on the interval [original placebo age, 25].

IV. For each of the eleventh through twenty-fifth states, I draw a date when the policy goes into effect from the interval [2001,2009] and draw an age threshold from the interval [19,25].

V. For each of the twenty-sixth through twenty-eighth states, I draw a date when the policy goes into effect from the interval [2001,2008] and draw an age threshold from [19,24]. To create a placebo policy expansion, I draw a date from the interval [original placebo year, 2009] and an age threshold from [original placebo age, 25].

---

4. In four of the states, the state dependent mandates take effect in 2010, but Pennsylvania is coded as taking place in 2010 in the replication files despite being listed as going into effect in 2009. I follow the coding in the replication files to be consistent with Barkowski and McLaughlin (2022).

5. Randomization is done using STATA’s runiform and runiformint functions.
VI. For each of the twenty-ninth through thirty-third states, I code the initial year of treatment as 2010. I then generate the placebo age threshold by drawing from the interval [19,25].

With the policies generated, I create a measure of placebo eligibility and re-estimate each of the Equation 5 variants reported in Table 4 columns 1 through 4 in Barkowski and McLaughlin (2022, 672). I save the coefficients on $ELIG_{ast} \times ACA_t$ and the coefficient on $ELIG_{ast}$ for each of the four models. I repeat this for a total of 1,999 placebo regressions. I use the distribution of the 2,000 total regressions (including the true policy) to see how many values exceed the coefficients under the true policy. The corresponding histograms in Figure A1 show that all, or nearly all, of the placebo coefficients are larger than the coefficient from the actual policies in columns 1–3. The specification in column 4 fares better, but it still suffers from the average coefficient being approximately 0.044. Due to the model misspecification, across all 8,000 regressions corresponding to columns 1–4, only five would fail to reject the null hypothesis in a t-test.

<table>
<thead>
<tr>
<th>TABLE A1. P-values from replication and placebos</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
</tr>
<tr>
<td>Eligible under state mandates × ACA</td>
</tr>
<tr>
<td>P-value</td>
</tr>
<tr>
<td>Placebo p-value</td>
</tr>
<tr>
<td>Eligible under state mandates</td>
</tr>
<tr>
<td>P-value</td>
</tr>
<tr>
<td>Placebo p-value</td>
</tr>
<tr>
<td>Corresponding result in Barkowski and McLaughlin (2022)</td>
</tr>
<tr>
<td>Linear state trend</td>
</tr>
<tr>
<td>Quadratic state trend</td>
</tr>
<tr>
<td>State-year FE</td>
</tr>
<tr>
<td>Age-state FE</td>
</tr>
<tr>
<td>Age-year FE</td>
</tr>
<tr>
<td>Observations = 3,199,012</td>
</tr>
</tbody>
</table>

Note: P-values from the replication are reported along with p-values based on the placebo policies. Columns 1–4 correspond to results in Barkowski and McLaughlin (2022, 672). Column 5 corresponds to the specification including the full set of two-way interactions. All regressions were performed using ACS person weights with standard errors clustered by state.
**Figure A1.** Placebo coefficient distribution

- Placebo coefficient distribution for $\beta_1$ (1) and (2)
- Placebo coefficient distribution for $\beta_2$ (3) and (4)

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear state trend</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Quadratic state trend</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>State-year FE</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-state FE</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-year FE</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

**Figure A1.** Placebo coefficient distribution

- Placebo coefficient distribution for $\beta_1$ (1) and (2)
- Placebo coefficient distribution for $\beta_2$ (3) and (4)

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear state trend</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Quadratic state trend</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>State-year FE</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-state FE</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-year FE</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
Figure A1 continued. Placebo coefficient distribution

<table>
<thead>
<tr>
<th>Linear state trend</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quadratic state trend</td>
<td>No</td>
</tr>
<tr>
<td>State-year FE</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-state FE</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-year FE</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Notes: Columns 1–4 correspond to the same numbered columns in Table A1. Each plot shows the histogram and Epanechnikov kernel density estimate for the 2,000 coefficients (1,999 from placebos and one from the actual policy). The vertical line in each plot represents the coefficient from the actual policies.

The results for $\hat{\beta}_2$, the coefficient on $ELIG_{air}$, are similar. In columns 1–3, the RI p-values range from 0.181 to 0.307. In column 4, the RI p-value is 0.550. Figure A1 shows that the placebo coefficients have means closer to zero for columns 1 and 2. The means for columns 3 and 4 are roughly −0.011 and 0.09, respectively. Again, the misspecification leads to the over-rejection of the null hypothesis in a t-test; of the 8,000 regressions, 2,216 would result in a rejection of the null hypothesis.
## Appendix B. Divorce and marriage exit

**TABLE B1. Estimates of state and federal mandate interaction effects on the likelihood of being divorced and marriage exit, ages 19 to 25**

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variable: divorced</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under age 26</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligible under state mandates</td>
<td>0.0008</td>
<td>0.0017</td>
<td>0.0000</td>
<td>−0.0004</td>
<td>−0.0003</td>
<td>−0.003</td>
</tr>
<tr>
<td>mandates × ACA</td>
<td>(0.0012)</td>
<td>(0.0010)</td>
<td>(0.0011)</td>
<td>(0.0033)</td>
<td>(0.0035)</td>
<td>(0.0038)</td>
</tr>
<tr>
<td>Eligible under state mandates</td>
<td>−0.0069***</td>
<td>−0.0031**</td>
<td>−0.0018</td>
<td>0.0019</td>
<td>0.0035</td>
<td>0.0023</td>
</tr>
<tr>
<td></td>
<td>(0.0017)</td>
<td>(0.0015)</td>
<td>(0.0016)</td>
<td>(0.0024)</td>
<td>(0.0047)</td>
<td>(0.0042)</td>
</tr>
<tr>
<td>Corresponding result in</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>Table 9,</td>
<td>Table 9,</td>
<td>n/a</td>
</tr>
<tr>
<td>Barkowski and McLaughlin</td>
<td></td>
<td></td>
<td></td>
<td>Column 3</td>
<td>Column 4</td>
<td></td>
</tr>
<tr>
<td>(2022)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State-year FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-state FE</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-year FE</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
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<td>2,109,102</td>
<td>2,109,102</td>
<td>376,553</td>
<td>376,553</td>
<td>376,553</td>
</tr>
</tbody>
</table>

**Notes:** Estimated coefficients and standard errors (in parenthesis) are reported. Columns 4 and 5 are replications of the results in Barkowski and McLaughlin (2022). Columns 3 and 6 are specifications including the full set of two-way interactions. All regressions were performed using ACS person weights with standard errors clustered by state. *, **, and *** indicate statistical significance at the 10, 5, and 1 percent levels, respectively.
### TABLE B2. Estimates of state and federal mandate interaction effects on the likelihood of being divorced and marriage exit, ages 23–25 and 27–30

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable: divorced</td>
<td>0.0001</td>
<td>-0.0005</td>
<td>-0.0010</td>
<td>-0.0008</td>
<td>0.0005</td>
<td>0.0004</td>
</tr>
<tr>
<td></td>
<td>(0.0018)</td>
<td>(0.0013)</td>
<td>(0.0014)</td>
<td>(0.0025)</td>
<td>(0.0024)</td>
<td>(0.0022)</td>
</tr>
<tr>
<td>Eligible under state mandates × ACA</td>
<td>-0.0007</td>
<td>0.0027</td>
<td>0.0026</td>
<td>0.0018</td>
<td>0.0037</td>
<td>0.0019</td>
</tr>
<tr>
<td></td>
<td>(0.0026)</td>
<td>(0.0012)</td>
<td>(0.0013)</td>
<td>(0.0017)</td>
<td>(0.0034)</td>
<td>(0.0031)</td>
</tr>
<tr>
<td>ACA difference-in-differences</td>
<td>0.0041</td>
<td>0.0042</td>
<td>0.0006</td>
<td>-0.0034</td>
<td>-0.0035</td>
<td>-0.0017</td>
</tr>
<tr>
<td>Effect on the state ineligible</td>
<td>(0.0012)</td>
<td>(0.0012)</td>
<td>(0.0020)</td>
<td>(0.0022)</td>
<td>(0.0023)</td>
<td>(0.0029)</td>
</tr>
<tr>
<td>Effect on the state eligible</td>
<td>0.0058</td>
<td>0.0055</td>
<td>0.0006</td>
<td>-0.0034</td>
<td>-0.0035</td>
<td>-0.0017</td>
</tr>
<tr>
<td>Corresponding result in Barkowski and McLaughlin (2022)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>Table 9, Column 5</td>
<td>Table 9, Column 6</td>
<td>n/a</td>
</tr>
<tr>
<td>State-year FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-state FE</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Age-year FE</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>2,248,060</td>
<td>2,248,060</td>
<td>2,248,060</td>
<td>851,830</td>
<td>851,830</td>
<td>851,830</td>
</tr>
</tbody>
</table>

*Notes:* Estimated coefficients and standard errors (in parenthesis) are reported. Columns 4 and 5 are replications of the results in Barkowski and McLaughlin (2022). Columns 3 and 6 are specifications including the full set of two-way interactions. All regressions were performed using ACS person weights with standard errors clustered by state. *, **, and *** indicate statistical significance at the 10, 5, and 1 percent levels, respectively.

### References


Ruggles, Steven, Sarah Flood, Ronald Goeken, Megan Schouweiler, and Matthew Sobek. 2022. IPUMS USA: Version 12.0 [dataset]. Minneapolis: IPUMS. [Link](https://usa.ipums.org/usa/)
Aaron M. Gamino is an assistant professor in the Economics and Finance Department of the Jennings A. Jones College of Business at Middle Tennessee State University. He received his Ph.D. and M.A. in Economics from Vanderbilt University. He received his B.A. in economics and philosophy from the University of Illinois at Urbana-Champaign. His interests include demography, health, history, and labor. His email address is aaron.gamino@mtsu.edu.

Scott Barkowski and Joanne Song McLaughlin’s reply to this article
Response to Gamino

Scott Barkowski¹ and Joanne Song McLaughlin²

Aaron Gamino (2023) comments on our paper analyzing marriage of young adults and dependent coverage health insurance mandates in the *Journal of Human Resources* (Barkowski and McLaughlin 2022), arguing that we used “potentially mis-specified difference-in-difference-in-differences models” that “omit relevant interaction terms” (Gamino 2023, 17). In particular, he argues our model is biased by the exclusion of age-by-year interaction terms. When he includes these terms in our model, he obtains coefficient estimates that are close to zero for some model variations. In this reply, we argue that Gamino’s inclusion of age-by-year interaction terms in our model is inappropriate and introduces bias, and that his analysis generally supports the findings in our paper.

To summarize our arguments, there are at least four important flaws underlying Gamino’s critique. First, he ignores our discussion (Barkowski and McLaughlin 2022, 641–643, 648 Figure 1) of how there is no true control group that is not affected by the treatment in our data, and how this changes our analysis from a standard difference-in-difference (DD) or triple-difference (DDD) research design. His introduction of age-by-year fixed effects to our model, consistent with treating our research design as a DDD, introduces bias to one of the main coefficient estimators (and hence, the entire model). Second, rather than removing bias, Gamino’s additional fixed effects absorb the remaining identifying variation in the model. Evidence for this comes from his analysis of our marriage entry variable. Our model explains much less of the variation in marriage entry

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¹. Clemson University, Clemson, SC 29634.
². University at Buffalo, Buffalo, NY 14260.
³. We were given extremely limited time to respond concurrently to Gamino’s comment. Hence, our discussion and detail provided in our arguments is necessarily limited. Additionally, given the limited time, we have not reviewed or checked for errors any of Gamino’s Stata code or confirmed his results at all.
than our standard outcome, marriage state. When he adds age-by-year fixed effects to the marriage entry model, estimates are either little changed or become larger in magnitude. Third, Gamino performs a placebo policy analysis to estimate bias due to omitted age-by-year fixed effects. The bias he finds suggests our estimates may Understate the magnitude of the effects. This is inconsistent with the true effects being close to zero, as he argues, and represents additional evidence that his added fixed effects merely absorb important variation. Fourth, Gamino provides minimal justification for why he thinks our model is inappropriate. Gamino (2023, 18) implies we use a DDD model in a corresponding analysis in a related paper. This claim is incorrect, as the analogous model in the related paper (Barkowski, McLaughlin, and Ray 2020) is a DD model, not a DDD model. Lastly, while Gamino argues our analysis of marriage with a DD-style model is inappropriate, in his own work studying dependent coverage under the same state-level mandates (Gamino 2018), he uses a DD model when he considers marriage, and also does not include all possible multi-way-interaction terms in his analyses of other outcomes. Clearly, Gamino agrees that the type of model used in an analysis should be based on the context, and that DD-style models are appropriate in the current one, even if it does not include all possible multi-way-interaction fixed effects.

In the rest of this reply, we provide more in-depth discussion of the above points. However, we also urge readers to consult our original paper, where we provide an extensive discussion on the rationale behind our model and its identification. Clearly, every model has weaknesses and limitations, and as ours does not include age-by-year interaction terms, it could be affected by unobserved age-year trends—a point that was acknowledged in our paper (Barkowski and McLaughlin 2022, 684, 684 n.29). But our model was not “misspecified” or lacking the “proper” controls (Gamino 2023, 16, 18). Rather, as Gamino should have been aware, it was chosen for specific reasons that were fully discussed.

Bias is introduced by the addition of age-by-year interactions

Our analysis of marriage focuses on the interaction of federal and state-level policies that mandated increased ages at which young adults could be enrolled on their parents’ health insurance plans. The state-level mandates came first and were implemented at various points across states starting in the 1970s, while the federal mandate came into being in 2010 as part of the Affordable Care Act (ACA). The interaction of these two types of policies is of interest because the state-level policies often limited eligibility on the basis of factors like marital status and college
enrollment, whereas the ACA policy did not. In the case of marriage, under state-level policies, a young adult was required to be unmarried in order to be eligible to be enrolled on his or her parents’ coverage. This created a disincentive to be married for young adults. In contrast, the ACA mandate allowed young adults to be on their parents’ coverage regardless of their marital state. For young adults eligible for coverage under pre-existing state-level mandates, the ACA’s enactment effectively ended the prohibition against marriage, resulting in an incentive, relatively speaking, towards marriage. For others not affected by state mandates, though, the ACA created a disincentive to marry because it opened parents as a potential source to obtain health insurance coverage. For young adults that might have considered marrying to obtain health insurance coverage (through, for example, a spouse’s employer) this parental source offered an easier alternative. Hence, for those not eligible under state mandates, the ACA disincentivized marriage (Abramowitz 2016).

Our analysis of these policies was designed to identify these contrasting effects via a model we called a “DD style” model (Barkowski and McLaughlin 2022, 644, 645). We start by noting that eligibility for state-level mandates depends primarily on three factors: the state of residence, age, and year. We use only these factors to determine eligibility in our analysis because additional factors required in eligibility, like college enrollment, are endogenous and one of the other primary factors, marriage, is our main outcome variable of interest. Defining eligibility this way, we then used a model of the following form:

\[ Y_{iast} = \beta_1 ELIG_{iast} \times ACA_t + \beta_2 ELIG_{iast} + X'_{iast} \gamma + \alpha_a + \delta_{st} + U_{iast}. \]

We estimate this model primarily on data for 19- to 25-year-olds using American Community Survey and Census data for 2000 to 2015. Note that unlike most analyses of the ACA dependent coverage mandate, we do not use data on individuals older than 25 in our main estimates.

We called the equation above a “DD style” model and not a DD model because, strictly speaking, it is not a DD model since there is no unaffected control group included in our analysis. Everyone in our sample is treated by the ACA mandate (since no one over 25 is included in our primary sample). This would typically mean that this model would not be appropriate in standard causal effect analysis. In our paper, however, we demonstrate that we can still use it to identify the interaction effect of the ACA and state-level dependent-coverage mandates (see Barkowski and McLaughlin 2022, 641–643, 648 Figure 1).

In that demonstration, we note that \( \beta_2 \) measures the marriage gap before the implementation of the ACA between those who were eligible for state mandated coverage and those who were not, while \( \beta_1 + \beta_2 \) measures the same after the ACA.
We should expect $\beta_2$ to be negative because state mandates discouraged marriage, but $\beta_1$ should be positive because the ACA simultaneously encouraged marriage for those affected by state mandates and discouraged it for those who were not. That is, $\beta_1$ should be positive because we expect that the ACA narrowed the marriage gap, and $\beta_1$ measures the difference between the post-ACA and pre-ACA marriage gaps. See Figure 1 in our paper for a stylized illustration of this argument (Barkowski and McLaughlin 2022, 648).

Table 1 below presents a summary of how estimates of $\beta_1$ are affected by using a DD-style or DDD-style model. The table shows expected effects on marriage by eligibility groups: whether an individual is the older or younger group (eligible individuals were younger) and whether a person is in a mandate or non-mandate state. We call the effect on each respective group A, B, C, and D, and within the table give a brief prediction of the effect and reason for it. Note that these focus on the interaction effect of the ACA, so they represent the change from before the ACA implementation to after. Thus, the effects are changes, meaning they already incorporate the first difference of a DD- or DDD-style model.

<table>
<thead>
<tr>
<th>TABLE 1. Summary of predicted interaction effects on marriage for eligibility groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>State type</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>Younger (Eligible)</td>
</tr>
<tr>
<td>Older (Ineligible)</td>
</tr>
</tbody>
</table>

**Interpretation of estimators in DD- and DDD-style models**

In a DD-style model:

$\hat{\beta}_1 \approx \text{Effect A} - \text{(average of Effects B, C, and D)}$

$\approx \text{Positive} - \text{Negative}$

$\approx \text{Positive} + \text{Positive}$

$\approx \text{Positive Overall}$

In a DDD-style model:

$\hat{\beta}_1 \approx \text{Effect A} - \text{Effect B} - (\text{Effect C} - \text{Effect D})$

$\approx \text{Positive} - \text{Negative} - (\text{Negative} - \text{Negative})$

$\approx \text{Positive} + \text{Positive} - (\text{Negative} + \text{Positive})$

$\approx \text{DD-style model effect} - (\text{Negative} + \text{Positive})$

$\approx \text{Total effect will deviate from effect estimated in DD-style model if Effects C and D do not cancel out.}$

In the bottom part of the table we summarize the effects estimated by the different DD- or DDD-style models. A DD-style model gives an estimate approximately equal to Effect A minus an average of Effects B, C, and D. Because the predicted effects B, C, and D are all negative, this identifies the interaction effect of interest, the effect on those with state mandates plus the effect on those without
them. When state-by-year interactions are included, the estimate is given by $\text{Effect A} - \text{Effect B}$ because only within-state variation is used, but the same rationale follows.

When a full DDD-style model is used, the estimator uses the mandate and non-mandate states to compute separate DD-style estimates, and then differences them. Hence, the estimate is approximately given as $\text{Effect A} - \text{Effect B} - (\text{Effect C} - \text{Effect D})$. The first part of this, $\text{Effect A} - \text{Effect B}$, represents an estimate of the interaction effect of interest, but the DDD-style estimate includes $\text{Effect C} - \text{Effect D}$, which means the DDD-style estimate does not estimate the effect of interest unless Effects C and D have the same magnitude and direction, and, hence, cancel out. Thus, if older and younger individuals in non-mandate states have different effects from the implementation of the ACA, the estimator for $\beta_1$ Gamino uses in his comment will be biased as an estimator of the interaction effect of interest.

There are clear reasons to think that Effects C and D are likely different. Older individuals are more likely to have potential spouses with whom they could alter their marriage plans to access health insurance. This suggests the alternative access granted by the ACA is more likely to affect marriage among older individuals. In contrast, younger individuals are less likely to have employers that offer employee health insurance coverage, so parental coverage represents the first alternative to marriage for younger people in this situation to access group health insurance. This suggests marriage is more likely to be affected for younger people. Our work on the mandates’ effects on health insurance coverage found that younger individuals were more likely to have their insurance coverage affected by the state mandates (Barkowski, McLaughlin, and Ray 2020). If younger individuals were also more likely to take up coverage under the ACA mandate, we would again expect a bigger effect for younger individuals.

In sum, the ACA’s effects on older and younger individuals in non-mandate states are likely to be heterogeneous, and Gamino’s estimator is, therefore, biased. Further, since we do not have a good prediction for which group effect is likely to be larger, the bias could go in either direction. A proper analysis should use DD-style models like those used in our paper.

The introduction of age-by-year fixed effects absorbs the remaining identifying variation

In Gamino’s replication of our analysis, he adds age-by-year fixed effects to two slightly different models of marriage. The first is the model used for our main
results, where marital state is used as the outcome. That is, whether the respondent was married at the time of the survey interview. The second model uses entry into marriage—that is, whether the person was married in the last year—as the outcome. For both of these outcome variables, our analysis uses the same model with the same controls, and the theoretical predictions are the same in both cases. However, our model explains far less of the variation in marriage entry than in marital state. This makes sense given that, in one sense, marriage entry is a change or first-differenced version of marital state. As a result, the variation explained in our marriage entry outcome by our DD-style models is only about 15 percent as much as the variation explained in marital state.

We mention the above because one of the persistent concerns with using fixed effects is that they can end up absorbing all of the good identifying variation in a research design. In the case of Gamino’s comment, this seems to be the case because when he adds age-by-year interactions to our model of marital state, he obtains estimates that are small and close to zero (see Gamino 2023, 19 Table 1)—consistent with what happens when one absorbs all the identifying variation. In contrast, when he adds the same fixed effects to the model of marriage entry, he obtains results similar to our original estimates. This suggests that in the model absorbing much more variation, the additional fixed effects are wiping out the identifying variation, but not in the model that explains less of the variation.

To show the similarity between our marriage entry results with and without age-by-year fixed effects, Table 2 below presents Gamino’s replication of our original results and his estimates after adding the additional controls. It includes, in columns 3 and 4, results from an expanded model that was included in our original analysis for more direct comparison with Joelle Abramowitz’s (2016) results. It included individuals ages 27–30 so that a DD comparison could be made between individuals affected by the ACA (below 26) and those who were not (above age 25). The estimates under the “ACA DD” heading are based on this comparison. The estimates beneath the “Under age 26” measure the marriage gap between the state eligible and ineligible who were below 26. That is, they have the same interpretation as the main coefficients of interest in our primary model.

Notably, our result from the expanded version of our model (columns 3 and 4), is more consistent with our theoretical predictions when the age-by-year fixed effects are included. This is seen most clearly under the ACA DD heading, where the estimate for the state eligible moves from being negative to positive. Additionally, the “Under age 26” estimates are similar with and without the age-by-year fixed effect. In his comment, Gamino focuses on the estimates in column 2 in our Table 2 being statistically insignificant, but this is a shortsighted interpretation. Gamino is claiming that omitting age-by-year interactions is causing bias, but his work here shows little evidence of such bias. Moreover, the fact that the estimates
in column 3 are a little bit smaller and less precise is not surprising given that the added fixed effects absorb a large amount of variation.

TABLE 2. Gamino’s addition of fixed effects gives results similar to our original results for the marriage entry outcome

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Replication of original result</td>
<td>With Gamino’s added age-year FE</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Under age 26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligible under state mandates × ACA</td>
<td>0.0049*</td>
<td>0.0042</td>
</tr>
<tr>
<td>Prediction: (+)</td>
<td>(0.0029)</td>
<td>(0.0029)</td>
</tr>
<tr>
<td>Eligible under state mandates</td>
<td>−0.0074**</td>
<td>−0.0052</td>
</tr>
<tr>
<td>Prediction: (−)</td>
<td>(0.0031)</td>
<td>(0.0040)</td>
</tr>
<tr>
<td>ACA DD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect on state ineligible</td>
<td>Not included</td>
<td>Not included</td>
</tr>
<tr>
<td>Prediction: (−)</td>
<td>in model</td>
<td>in model</td>
</tr>
<tr>
<td>Effect on state eligible</td>
<td>Not included</td>
<td>Not included</td>
</tr>
<tr>
<td>Prediction: (+)</td>
<td>in model</td>
<td>in model</td>
</tr>
<tr>
<td>FE included</td>
<td>state-year, age-state</td>
<td>state-year, age-state, age-year</td>
</tr>
<tr>
<td>Gamino (2023) table</td>
<td>Table 2, Col. 5</td>
<td>Table 2, Col. 6</td>
</tr>
</tbody>
</table>

Notes: All results in this table come from Gamino’s replication of our original analysis.

In our view, the key takeaway from Gamino’s exercise of adding fixed effects to our models and obtaining contrasting results when marital state and marriage entry are used as the outcome variables is that the fixed effects are absorbing the identifying variation in one model, but not in the other. This is in addition to the introduction of bias by the new fixed effects, as well. So Gamino’s suggestion has both a bias problem and a practical implementation problem.

The next section provides additional evidence regarding the fixed effects wiping out identifying variation, and it also suggests that (at least some of) our original estimates might be understated.

Gamino’s placebo policy analysis suggests our original conclusions are valid

In the appendix of his comment, Gamino performs a placebo policy analysis.
to try to estimate the bias in our models. The idea here is to randomly assign eligibility criteria and then re-estimate our model many times, producing the distribution of the estimators. Of most interest is his analysis of our model that included both state-by-year and age-by-state fixed effects. Since only the age-by-year interactions are missing here, any bias observed from this model would have to be coming from age-by-year trends. Section 4 of Gamino’s Figure A1 shows these results (Gamino 2023, 29). Interestingly, for $\beta_2$ it suggests there is a bias, but it is positive (that is, the mean of the distribution is positive). This implies that our estimates of $\beta_2$—which are negative—in our model with age-by-state and state-by-year terms may understate the magnitude of the true coefficient.

In the case of $\beta_1$, Gamino’s placebo analysis once again suggests there is a positive bias. Unlike in the case of $\beta_2$, this bias goes in the same direction as our coefficient estimate. However, we note that the bias is still less than our point estimate, so even if one were able to correct the estimator for bias, our estimate would still be positive and consistent with our theoretical prediction. Additionally, since $\beta_1$ is defined relative to $\beta_2$, if one were to correct for the bias in $\beta_2$, all else equal the estimator of $\beta_1$ would have to be larger (more positive) to account for the more negative estimate of $\beta_2$. Thus, absent the bias $\beta_2$, we would have expected a larger estimate for $\beta_1$, and, in turn, a larger estimate of $\beta_1$ net of the bias seen in Gamino’s Figure A1. Bringing these results together, Gamino’s placebo analysis suggests that our estimates for the pre-ACA marriage gap was too small, and that after the ACA the gap narrowed. These are the same conclusions we obtained from our original analysis. Hence, Gamino’s critique provides additional evidence in support for our paper’s hypothesis.

It is also worth contrasting these placebo results with the regression estimates Gamino obtains from adding age-by-year interactions to our model of marital state, and his placebo analysis of the model that also includes age-by-year fixed effects. In those regressions, he finds estimates close to zero, and in the placebo analysis he obtains distributions of estimates that are all very small and close to zero—very different from the placebo results for the other models, which are all much more widely dispersed. But if Gamino’s placebo results for the model with only age-state and state-year fixed effects are valid, the models in our paper are not biased towards zero. So if the added age-by-year terms were merely absorbing bias, we should not obtain zero estimates or placebo distributions crowded around zero. So why does he obtain them? The answer is easy: the zero estimates and zero-neighborhood distributions are exactly the results we expect when one absorbs all the identifying information with added fixed effects.
Gamino gives minimal justification for critiquing our model

Gamino provides minimal explanation for why he thinks our models are misspecified, and he never suggests any specific omitted factors that he is concerned could cause bias. Instead, he asserts that we are inconsistent in how we employ our models between our marriage paper and our related paper on insurance coverage (Barkowski, McLaughlin, and Ray 2020). Gamino’s assertion is incorrect. Our marriage paper that he criticizes focuses on the interaction of state and federal policies (as should be clear from the paper’s title). In our insurance coverage paper, the model most closely analogous to the model in our marriage paper is a DD model in which we omit age-by-year interactions. These models are analogous because they both consider the interaction of the state and federal policies and both are estimated using data spanning the introduction of the ACA dependent coverage mandate. A DDD model used in our insurance coverage paper is used only on data preceding the ACA and does not involve any interactions with the ACA mandate.

In sum, Gamino’s statements completely misconstrue the relationships between models in our papers.

Gamino further claims that our model is misspecified because the main variable of interest, ELIG, varies across three dimensions, “which requires the inclusion of three sets of two-way interaction terms” (2023, 17), one set of which our model does not include. This seems to assert the existence of a requirement that if a model’s variable of interest has \( n \) dimensions of variation, the model must include all possible \((n-1)\)-way interaction terms. However, in his own work on the state dependent coverage mandates (Gamino 2018), Gamino’s version of ELIG varied along 5 dimensions, yet he did not include any 4- or 3-way interaction terms in his models of various insurance coverage and labor market outcomes.

Similarly, while Gamino’s overall critique is essentially that he thinks we should not have analyzed marriage with a DD-style model, when he performed a simple analysis of marriage in his paper, it was based on a DD model. In this analysis, he used a version of ELIG that he only allowed to vary along the state and time dimensions, ignoring the age dimension for unstated reasons. Thus, in more than one facet, Gamino’s own work in the same context has relied on similar techniques to those we use. This undermines his unsupported assertions that our model is “misspecified.”

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4. Gamino’s version of ELIG for these analyses varied by student and marital status as well as the age, year, and state dimensions our ELIG varies over. We did not use student status because it is endogenous and marriage is our outcome.
Additional points

The placebo analysis is not useful for inference

We note that in some places, Gamino (2023) also claims his placebo analysis is a form of randomization inference, but we disagree. He subjects his randomization to a series of restrictions to reflect features of state-level policies, but true randomization would be far less restricted, allowing the years of implementation and ages to vary much more. Further, his randomization ignores the ACA treatment. A true randomization inference study would have to include the uncertainty in when and how the ACA was implemented since our primary question of interest studies the interaction of the policies. Thus, his distributions do not reflect all the sources of uncertainty in the assignment process. So, in our view, the placebo analysis is not useful for studying the inference in our study.

We also note that Gamino never provides any argument that the standard errors we used are not correct. So in addition to his exercise not being an appropriate randomization analysis, there is also no reason to think one is needed.

Our coding of Pennsylvania was correct

In footnote 4, Gamino claims that we wrongly coded Pennsylvania’s 2009 state mandate as being effective in 2010. Pennsylvania’s law went into effect in September 2009, but our coding of it as effective in 2010 is consistent with the policy we applied to all of our laws: if the law was effective in the second half of the year, we treated it as being effective at the beginning of the next year. This is also why we treated the ACA mandate as going into effect in 2011. This policy was stated in our paper (Barkowski and McLaughlin 2022, 667).

Conclusion

We acknowledge that there are limitations and pitfalls in all research, but we hope we demonstrated that our model was appropriately applied for the given setting. In this reply, we showed that Gamino’s suggested change to our model is inappropriate because it introduces bias and the textbook DDD model is not appropriate to answer the main question of the paper. The zero estimates he obtains for models of marital state are inconsistent with estimates he obtains for the marriage entry outcome, and his placebo analysis does not suggest a bias towards zero from unobserved age-by-year trends. These facts suggest the zero results...
References


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Origins of the Opioid Crisis Reexamined

Robert Kaestner

In an article in the Quarterly Journal of Economics titled “Origins of the Opioid Crisis and Its Enduring Impacts,” Abby Alpert, William Evans, Ethan Lieber, and David Powell—henceforth AELP (2022)—investigate the cause of the origins and persistence of the opioid crisis. The opioid crisis (also called the opioid epidemic) in the United States is commonly illustrated as in their Figure I, which I reproduce directly here:

Figure 1. National drug overdose death rates (this figure directly reproduces AELP’s Figure I)

1. University of Chicago, Chicago, IL 60637.
As AELP (2022, 1141) explain: “Opioid overdoses are defined as overdoses that report opioid involvement (including natural/semisynthetic opioids, methadone, heroin, and synthetic opioids). These overdoses may or may not also include nonopioid substances.” Thus, when we speak of opioid deaths, we mean all opioid deaths, not just from prescription opioids.

The crisis calls out for explanation. As AELP note, some scholars have pointed to explanatory factors on the demand side, such as “deaths of despair” (Case and Deaton 2015; 2017), while other scholars point to factors on the supply side. AELP (2022, 1140) note a major supply-side explanatory factor: “Beginning in the 1990s, changing attitudes and new treatment guidelines encouraged doctors to treat pain more aggressively with opioids (Quinones 2015; Jones et al. 2018).”

AELP (2022, 1140) explore a specific aspect of supply-side explanation: “in 1996, Purdue Pharma launched its drug OxyContin, a prescription opioid pain reliever that quickly became one of the leading drugs of abuse in the United States.” AELP (ibid., 1142) say: “The aggressive and deceptive marketing of OxyContin has been the subject of enormous public and scholarly discussion (e.g., Van Zee 2009; Kolodny et al. 2015; Quinones 2015) and thousands of lawsuits from state and local governments, which have implicated OxyContin as ‘the taproot of the opioid epidemic.’”

The linchpin of AELP’s investigation related to the investigation of the role of OxyContin is triplicate prescription programs. States varied in their adoption of triplicate programs, and AELP assume with only limited evidence to support the assumption that triplicate prescription programs affected the amount of prescription opioids and in turn deaths from opioids and other drugs (Department of Health and Human Services 1992). They claim that “if nontriplicate states had the same initial exposure to OxyContin’s introduction as triplicate states, they would have had 34% fewer drug overdose deaths and 45% fewer opioid death overdose deaths on average from 1996 to 2017” (AELP 2022, 1173). They also suggest that “the introduction of OxyContin explains 79% of the rise in the overdose death rate since 1996” (ibid.).

In this article, I discuss several conceptual and empirical problems with AELP’s article that render the evidence in it largely uninformative about the role of OxyContin in the opioid epidemic. I believe that it is reasonable to think that

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2. To bring readers up to speed, let me note that an OxyContin pill is time-released oxycodone designed to digest gradually over a 24-hour period, to give the same sort of effect as taking another opioid such as hydrocodone throughout the day. However, a user can access all of the oxycodone by chewing or crushing it to obtain a stronger effect.

3. In a triplicate program, the doctor writes a prescription on a state-issued prescription form and provides one copy to the patient, one to the pharmacist, and one to a state agency. These programs are thought to reduce abuse and fraud (see Department of Health and Human Services 1992).
the introduction and marketing of OxyContin accounts for some percentage of the increase in deaths from opioids, but only as part of the broad increase in use of all prescription opioids that occurred from 1991 to 2012.

The aggressive marketing of OxyContin cannot explain the trend in deaths from opioids

There is little dispute that OxyContin was aggressively marketed after its introduction in 1996 and that sales rose rapidly until 2001 (General Accounting Office 2003). What is less known is that over the same period there was a large increase in other types of prescription opioids. From 1996 to 2001, hydrocodone sales in morphine milligram equivalents (MMEs) doubled, and—normalizing here and henceforth to MMEs so that we compare apples to apples—hydrocodone sales were greater than OxyContin sales in every year from 1991 to 2017 (Food and Drug Administration 2018; Volkow 2014). It is also apparent that a substantial portion of the increase in OxyContin sales came at the expense of propoxyphene (Darvon, Darvocet), which was the most widely prescribed opioid prior to 2002. After 2001, OxyContin sales growth slowed considerably and was less than the growth in sales of hydrocodone. From 2001 to 2011, hydrocodone sales increased by about 250 percent whereas OxyContin sales increased by less than 50 percent. By 2011, OxyContin sales were less than 50 percent of what hydrocodone sales were, and OxyContin sales constituted about 25 percent of all oxycodone sales—OxyContin is a form of oxycodone (Food and Drug Administration 2018).

The upshot of these figures is that while OxyContin was marketed aggressively after its introduction, its growth was not particularly unusual relative to other opioids except for the five-year period after its introduction, and over a much longer period its growth was significantly slower than that of hydrocodone, which had much larger sales. While OxyContin has received much media attention, that attention is not commensurate with its numerical importance in the overall growth of prescription opioid sales. Nor was the marketing of OxyContin very different than the marketing of any branded drug by pharmaceutical companies. In 1998, narcotic analgesics (e.g., OxyContin) accounted for less than 1 percent of expenditures by pharmaceutical companies promoting prescription drugs to providers (Ma et al. 2003). Promotional expenditures on antihypertensives and antidepressants were 10 times that of analgesic narcotics (ibid.).

From 1996 onward, hydrocodone and non-OxyContin forms of oxycodone were numerically much more important than OxyContin, which reached its peak in
terms of share of prescription opioids in 2001. According to a Drug Enforcement Agency fact sheet dating to 2012, “Hydrocodone is the most frequently prescribed opioid in the United States and is associated with more drug abuse and diversion than any other licit or illicit opioid” (link). Similarly, other forms of oxycodone are abused, as is propoxyphene, which was taken off the market in 2011, and other prescription opioids. Given this general and widespread increase in prescription opioids, it is unlikely that the short period of rapid OxyContin sales explains the time pattern of deaths due to opioids. Figure I in AELP (2022, 1141) shows that deaths due to opioids increase smoothly, seemingly at an exponential rate from 1983 to 2017. The time pattern of deaths due to opioids seems much more consistent with the time pattern of opioid sales more broadly than with the pattern of OxyContin sales.

AELP (2022) never provide an ex-ante conceptual model linking the time pattern of OxyContin sales to the time pattern of deaths due to drugs or opioids. Instead of a developed theory with hypotheses, a statistical identification strategy is used as a replacement under the assumption that any significant correlations found represent meaningful causal relationships. The authors suggest there are many potential pathways linking the hypothesized cause (i.e., OxyContin marketing starting around 1996) to the outcome (deaths from opioids). According to the authors in an earlier draft of the article, which I shall cite as Alpert et al. (2019) to distinguish from the 2022 QJE version: “A motivation of this paper is to understand the initial conditions of the opioid crisis, which has potentially affected a wide range of outcomes” (Alpert et al. 2019, 18). And then after seeing the results, AELP (2022, 1173–1174) claim the following in conclusion: “Our estimates capture both the direct and indirect consequences of initial exposure to OxyContin’s introduction, including spillovers of OxyContin promotion to other opioid drugs and transitions to heroin and fentanyl in the later waves of the epidemic. They also internalize downstream indirect effects of OxyContin’s introduction on the behaviors of other entities in the supply chain—distributors, pharmacies, and doctors—which may have further amplified OxyContin’s effects.” This ex-post claim is speculative and the result of an exploratory, observational study with serious flaws that I describe below.

**Evolution of the increase in opioid use**

So, from 1991 to 2012, there was a steady, broad increase in prescription opioids beginning before the introduction of OxyContin in 1996 and continuing without a noticeable change in trend after the introduction of OxyContin until 2012 that matches well the steady increase in deaths due to drugs and opioids
during this period (Food and Drug Administration 2018; Volkow 2014). Oxy-Contin contributed, but fractionally, to this growth in prescription opioids mostly during one short period from 1996 to 2001. Prior to 1996 and after 2001, the growth in hydrocodone and other forms of oxycodone were much more numerically important than OxyContin (Food and Drug Administration 2018). While abuse of OxyContin is well documented, so is abuse of hydrocodone, other forms of oxycodone, and other opioids, and because of the numerical importance of these other opioids, it is likely that growth in hydrocodone and oxycodone explain most of the increase in deaths from opioids from 1991 to 2012.

After 2012, prescription opioid sales decreased significantly because of another change in clinical practice and norms (link), but deaths from opioids continued its upward trajectory, with a marked increase in deaths from fentanyl beginning in 2013 and growing exponentially to the current period (link). The decreased access to prescription opioids caused a shift to illicit and more deadly opioids among a small group of prescription drug users—first heroin and then drugs contaminated with illegally produced fentanyl. The use of more deadly opioids has resulted in an exponential growth in deaths from opioids starting in 2013, which is the same time that prescription opioids were declining. There is little controversy over this explanation of the origin and continuation of the opioid epidemic (Humphreys et al. 2022; Congressional Budget Office 2022; DeWeert 2019). Nothing about this widely held view of the opioid epidemic is in dispute, nor does it point to OxyContin as the origin and chief cause of the increase in deaths from opioids between 1996 and 2017.

### Triplicate prescriptions

An important component of AELP’s OxyContin story is triplicate prescription programs, so it is worth scrutinizing more closely its scientific plausibility. AELP argue that triplicate prescription programs limited consumption of prescription opioids. AELP (2022) provide some evidence to support this hypothesis. In Figure IIIA, data from Automated Reports and Consolidated Ordering System (ARCOS) shows that OxyContin sales in 2000 were approximately 50 percent lower in states with triplicate prescription programs in place in 1996 than in other

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4. It is important to note that the vast majority of prescription opioids were used for medical purposes and had little adverse effects. In 2012, there were 250 million opioid prescriptions in the U.S. (link). In 2012, there were approximately 20,000 opioid deaths (link). Given these numbers, there can be a general decrease in opioid use at the same time there is an increase in deaths from opioids. The increase in risk of death for the small group who switch to deadlier illegal opioids outweighs the lower risk from fewer prescriptions.
states. However, by 2006, the same figure, as well as Figure IIIB, shows that OxyContin sales are about the same in states with and without triplicate prescription programs.\(^5\) The convergence in OxyContin use between triplicate and non-triplicate states was, according to the authors, because of the temporary entry of generic forms of OxyContin. Between 2006 and 2009, there was a relative increase in OxyContin sales (inclusive of generics) in non-triplicate states (Figure IIIA) followed by similar, steady declines in OxyContin sales in both types of states. Finally, as shown in Figure IIB and by estimates in Table 2 of Alpert et al. (2019, 48), in 2000 OxyContin sales in non-triplicate states were higher than in triplicate states (the peak difference), but the difference declined steadily over time by approximately 35 percent.

The evidence just reviewed indicates that, if anything, the declining difference in OxyContin sales between triplicate and non-triplicate states shown in Figure IV would suggest a declining difference in mortality—not a continuously diverging trend as shown in Figure IV in AELP (2022, 1159). Second, the OxyContin sales in triplicate states are far from zero indicating that the presence of a triplicate program had modest effects on OxyContin prescribing. In addition, OxyContin was a fraction of all prescription opioids, with a share that peaked (at approximately 20 percent) in 2001 and declined markedly afterward, as use of hydrocodone and non-OxyContin forms of oxycodone grew significantly faster than use of OxyContin (Food and Drug Administration 2018). Thus, the difference in OxyContin use between triplicate and non-triplicate states could explain only a small part of any difference in total prescription opioid sales between the two types of states and therefore a small part of the difference in mortality between triplicate and non-triplicate states. Thus, it is much more likely that the divergent trend in drug deaths between triplicate and non-triplicate states is because of different levels and trends in hydrocodone, non-OxyContin oxycodone, and other opioids.

Indeed, Figure IIIIC in AELP (2022, 1156) shows exactly that, although it is obscured because the figure does not show oxycodone other than OxyContin separately. Figure IIIIC shows that oxycodone (inclusive of OxyContin) grew much faster from 1997 onward in non-triplicate states than in triplicate states. As already noted, after 2001 OxyContin grew more slowly than hydrocodone and non-OxyContin oxycodone. Therefore, most of the sustained growth in oxycodone in non-triplicate states relative to triplicate states is from an increase in non-OxyContin oxycodone. Estimates in Table 2 in Alpert et al. (2019, 48) also demonstrate this fact. Oxycodone (inclusive of OxyContin) grew four to six times faster than OxyContin in non-triplicate states relative to triplicate states. The reason

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\(^5\) In Appendix Figure A3 the same convergence is reported using data from the Medical Expenditure Panel Survey (MEPS).
for this difference is unknown. AELP (2022, 1158) offer the following: “Such spillovers are likely generated by Purdue Pharma’s marketing strategies that aimed to expand the opioid market by normalizing the use of strong opioids for noncancer chronic pain and creating the message that opioids carry a low risk of addiction (Van Zee 2009). Moreover, individuals introduced to OxyContin will often transition to using other opioids, especially similar products containing oxycodone.”

No meaningful model of Purdue Pharma or physician behavior is offered to support this spillover explanation. If Purdue Pharma marketing efforts increased sales of opioids other than OxyContin, then that would erode OxyContin sales, at least to some extent, as physicians substitute other opioids for OxyContin. This would reduce the return on the marketing investment. Moreover, there is no noticeable increase in non-OxyContin oxycodone after 1996 in national data, which is dominated by the 46 non-triplicate states (including Washington DC), that would support the spillover argument (Food and Drug Administration 2018). Data in Alpert et al. (2019) show that hydrocodone use was the same in triplicate and non-triplicate states. This is surprising because hydrocodone and oxycodone are substitutes. Consider physicians in triplicate states. Hydrocodone products were not Schedule II drugs until 2014 and were not subject to triplicate prescribing program at the time of OxyContin introduction. Why would these physicians not substitute hydrocodone for oxycodone including OxyContin? All else equal, there should be more hydrocodone use in triplicate states than non-triplicate states, but this is not what Alpert et al. (2019) report. In addition, there are other prescription opioids that are not considered by AELP (2022) with an important one being propoxyphene, which was the most widely prescribed opioid until 2002. After the introduction of OxyContin, propoxyphene use decreased. It is likely that propoxyphene use was lower in non-triplicate states than in triplicate states offsetting some of the greater use of oxycodone in non-triplicate states.

In sum, AELP (2022) provide little evidence about the difference in all prescription opioids between triplicate and non-triplicate states. My review of what little evidence that is presented in AELP (2022) related to differences in opioid prescriptions in triplicate and non-triplicate states does not provide much support for the hypothesis that OxyContin was the chief origin and enduring cause of the increase from 1996–2017 in deaths from opioids.

There is a widely accepted explanation for the large, steady increase in deaths from drugs including opioids, and the authors largely agree with it (Humphreys et al. 2002; De Weerdt 2019; Congressional Budget Office 2022). As the authors write in their introduction, there was a change in clinical practice related to pain management and a greater willingness to prescribe opioids to treat pain. This change in practice patterns resulted in an increase in prescription opioids broadly
and not just OxyContin. The introduction of OxyContin was part, albeit a numerically rather small part, of this broad increase in prescription opioids.

A statistical model unhinged from theory

Without theory, the AELP (2022) claim that the introduction of OxyContin is the origin of the opioid epidemic (i.e., pattern of deaths from opioids) rests on a statistical result. The statistical analysis of AELP (2022) is based on a difference-in-differences research design. In it, deaths from opioids (or, alternatively, all drugs) from 1991 to 2017 in states that had a triplicate prescription program are compared to deaths from opioids (or all drugs) during the same period in states that did not have a triplicate program. The authors use the introduction of OxyContin in 1996 to divide the 1991 to 2017 period into a before and after period.

Note that there is no measure of OxyContin usage in this analysis. Nor is there any other measure of drug usage (e.g., total prescription opioids). It is only an analysis of mortality. The article does not include any analysis linking OxyContin or any measure of prescription opioid use to mortality. The only link to OxyContin in the statistical analysis is the use of 1996 to divide 1991–2017 period into two. The inadequacy of this statistical model to incorporate and utilize knowledge about the growth in prescription opioid use and OxyContin’s limited role, summarized above, is obvious.

More importantly, without any theory, there is no clearly identified hypothesis that is being tested. As such, it is purely an exploratory analysis and results from it cannot be given a causal interpretation. Without theory, there is no basis for deciding what covariates to include in the statistical model. At best, and this is unstated, the statistical model is assumed to be an experiment with random assignment of treatment (triplicate program) that interacted with the introduction of OxyContin in 1996 to cause an unspecified difference in the pattern of opioid use in triplicate and non-triplicate states that in turn caused an unspecified difference in the pattern of deaths from opioids in these two types of states.

Consider the finding in the article that the divergence in deaths from opioids (all drugs) between triplicate and non-triplicate states is not observed until 2002—seven years after the introduction of OxyContin. How should this result be interpreted? There was no theory that predicted this finding. It is simply a result of an exploratory analysis with no causal basis. Some questions about the result naturally arise. Why did it take seven years for the introduction of OxyContin to affect drug deaths? Here are the authors’ comments on this question: “It is

6. In some analyses the starting year is 1983.
not surprising that these mortality effects are delayed, given the expansions in OxyContin promotion and sales over time and the FDA’s relabeling in 2001 that expanded its market for chronic use. In addition, it would take time for a person to transition from an initial prescription for OxyContin to dependence and an overdose” (AELP 2022, 1160). This is an ex-post speculation. The explanation was the result of an exploratory analysis devoid of theory and hypotheses. If a different result was found, the authors would undoubtedly offer a different explanation. Another question is why do deaths from drugs other than opioids follow the exact same pattern, also showing a divergence beginning in 2002? While this result is not shown directly, it can be derived from Figure IV and Table I in AELP (2022). What theory about the introduction of OxyContin and the presence of triplicate states explains this result? Are other drugs complements or substitutes for oxycodone?

An alternative analysis that explicitly correlated prescription opioid use and mortality was possible. Specifically, data on mortality could be merged with data on prescription opioid use (ARCOS) to conduct an analysis of the effect of prescription opioid use on mortality. The authors might claim that this cannot be done because there is no readily available data on prescription opioid use prior to 1997, which is after the introduction of OxyContin. However, this is not a convincing argument. Central to the authors’ entire approach is a link between introduction of OxyContin and the time pattern of prescription opioid use and mortality. While the time pattern is unspecified and not formulated from theory, the authors explicitly claim that the introduction of OxyContin had enduring effects on mortality presumably because of enduring effects of prescription opioid use.

Given the authors’ claim—that the introduction of OxyContin had a persistent effect on opioid use and deaths—the following instrumental variables model could be estimated using data from 1997 onward:

\[
MORTALITY_{st} = \alpha_s + \gamma_t + \beta \hat{OPIOID}_{st} + \mu_{st}
\]

\[
OPIOID_{st} = \Theta_t + \delta_t + \sum_{k=1997}^{2017} \lambda_k x 1 (NON_TRIPLESTATE_t) \times 1 (k = t) + \epsilon_{st}
\]

\[t = 1997, \ldots, 2017\]
\[s = 1, \ldots, 51\]

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7. Note that growth in OxyContin sales slowed after 2001 FDA relabeling.
8. For example, subtract coefficients in the bottom panel (related to opioids) of Table 2 from those in the top panel (related to all drugs). This yields the effect on drugs other than opioids.
Equation (2) is the first stage of the model. It measures the differential effect of the introduction of OxyContin in 1996 on prescription opioid sales (OPIOID) between states with and without a triplicate prescription program (NON_TRIPLICATE). This model is consistent with the interpretation of AELP (2022), which assumes that the introduction of OxyContin had a different effect on prescription opioid use in triplicate versus non-triplicate states, and that that effect persisted over time (indicated by the interaction between non-triplicate indicator and year). The specification of the model is identical to the model that AELP (2022, 1154 eq. 1) used to estimate the effect of the introduction of OxyContin on mortality except that in this case prescription opioid use (in state s and year t) is the dependent variable instead of mortality. Equation (1) is the model that relates deaths from opioids (all drugs) to predicted prescription opioid use. Predicted opioid use is obtained from equation (2).

Equations (1) and (2) are a standard type of analysis. The value of it is that it yields a direct estimate of the relationship between prescription opioid use and deaths from opioids. Moreover, it uses variation in prescription of opioids caused by the introduction of OxyContin and the presence of triplicate prescription programs, which is exactly the argument underlying the AELP (2022) heuristic model. Therefore, this approach seems superior to that used by AELP (2022) that assumes such a relationship without ever assessing whether it exists. In addition, the instrumental variables approach exploits the same geographic variation in exposure to OxyContin’s introduction that is the basis of the implicit quasi-experimental research design.

Why didn’t the authors estimate this model? It is clear that AELP (2022) view the link between the introduction of OxyContin and deaths from all drugs (opioids) as to be the change in prescription opioid use. That is why they discuss the differences in prescribing patterns between triplicate and non-triplicate states, and in Alpert et al. (2019) estimate a model that measures the differences in some prescription opioids. The point of that analysis was to show that use of some prescription opioids differed between triplicate and non-triplicate states and that difference varied over time. This is exactly what I suggest to do (my equation 2).9

In sum, all the parts of the instrumental variables approach I recommend were recognized by the authors, but it was not estimated. The instrumental variables approach I recommend is consistent with the AELP (2022) conceptualization of the problem. The data are in the authors’ hand, and the suggested IV approach could be carried at small additional effort to them (though not to others). So why

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9. However, Alpert et al.’s (2019) analysis differed from my suggested model in an important way. For some inexplicable reason, Alpert et al. (2019) omitted state fixed effects from their model (equation 3 that produced estimates in Table 2 of their article). No justification for this deviation from best practice is given.
wasn’t it done? My suspicion is that the authors recognized that such an analysis would contradict their basic argument that the introduction of OxyContin changed the time pattern of prescription opioid use that in turn caused the time pattern in deaths from drugs. As described in detail earlier, the descriptive data strongly suggest that this is not likely.

Replication

While I believe the arguments above are sufficient to raise doubts about the likely veracity of the claim that the introduction of OxyContin was the origin and chief persistent cause of the opioid epidemic through 2017, it is also worthwhile to assess the reliability of the statistical model used by AELP (2022), and results from that model. After all, it is the statistical model that must do the heavy lifting to support the conclusion, as little theory was provided. However, before presenting results from my re-analysis, it is worth pointing out the considerable evidence of a faulty research design presented in the AELP (2022) article itself.

Table I of the article (AELP 2022, 1161) contains much evidence suggesting a faulty research design. If the analysis was a bona fide experiment then results from it are apt to be true even if difficult to explain, although without theory it would still be considered exploratory. But AELP (2022) do not conduct an experiment. They exploit a supposed natural experiment, namely the presence of triplicate prescription programs in some states and not others. Evidence that this bit of history is not such a great experiment is in Table I, for all to see.

As is standard practice, AELP (2022) conduct a series of sequential models, adding additional control variables to the basic pre- and post-test with comparison group design that characterizes true experiments. In a true experiment, adding additional controls usually has almost no effect on results. In this case, however, adding controls changes results markedly. AELP (2022, 1162) interpret these marked changes as supportive, “robust” evidence, which gives new meaning to the expression “the glass is half full.” Comparing estimates in columns 2 and 4 of top panel of AELP’s Table I, which pertain to deaths from all drugs, shows that the addition of control variables to the model reduces the estimate of the effect of not being a triplicate state on deaths between 2001 to 2010 by 29 percent, and reduces the estimate of the effect of not being a triplicate state on deaths between 2011 to 2017 by 40 percent. The analogous changes in estimates in the analysis of opioid deaths are 23 percent and 44 percent. Table I also reports that a test of whether the three estimates of the effect of being a non-triplicate state on opioid deaths are jointly zero cannot be rejected at the 0.11 level of significance, which is above the commonly used thresholds of statistical significance at 0.05 or 0.10. Overall,
an experiment this is not. Similarly, in an earlier version of the article, the authors 
conducted an analysis in which they allowed covariates to have different effects 
by year (Alpert et al. 2019, Appendix Table B1; see Jaeger et al. 2020 for a similar 
application). Here too the test that all three estimates of the effect of being a non-
triplicate state on opioid deaths cannot be rejected.

Perhaps no more evidence of the fragility of the statistical model is needed, 
but I provide additional analyses to augment the evidence already reported by the 
authors (to their credit). In this section, I estimate models identical to those in 
columns 1 and 2 of Table I in AELP (2022, 1161). I use the same data as AELP 
(2022), but the public-use versions of the data, which is accessible through the 
Centers for Disease Control Wonder database (link). AELP (2022) had access 
to restricted-use data. There are two differences between my data and that used 
by AELP (2022). The first is that in cases when there were fewer than 10 deaths 
in a state and year, the number of deaths is suppressed. I know only that the 
actual number of deaths is somewhere between 1 and 9. Second, prior to 1999, I 
cannot identify all deaths from opioids that AELP (2022) used because I do not 
have access to one ICD-9 code related to cause of death (N695). Despite these 
differences, I am largely able to replicate the estimates in AELP (2022).

First, I begin by replicating, as best I can, the results of AELP (2022). Table 1 
below shows the estimates of AELP (2022) and my replication attempts. Because I 
do not have access to restricted data, I am missing deaths for some states and years. 
For all drug deaths, I am missing only 9 out of 1377 observations. I am missing 
209 out of 1377 observations in the case of opioid deaths. Deaths are missing when 
there are fewer than 10 and so missing observations are from small population 
states and from earlier years when deaths were relatively low. To address this issue, 
I alternately assign missing deaths to be equal to 1 or 9, which are the lowest and 
highest possible deaths, respectively. To assess whether the missing data matters, I 
estimate models using the imputed death rates in addition to models that use the 
observed data. It makes little difference, as can be observed below.

The top panel of Table 1 reports estimates for deaths from all drugs and the 
bottom panel reports estimates for deaths from opioids. The first two columns 
reprint estimates from Table I of AELP (2022). Starting with the top panel, my 
estimates (in columns K1 and K2) are almost identical to those reported in AELP 
(2022). In both analyses, estimates indicate that deaths from all drugs were signifi-
cantly higher in non-triplicate states and this difference grows with time. Estimates 
using the imputed death rates (columns K3 and K4) are virtually identical to those 
using the observed data, which is not surprising because there are only nine 
imputed values.

Estimates in the bottom panel also demonstrate that I can replicate the 
results related to opioid deaths reported by AELP (2022). In this case, my estimates
(in columns K1 and K2) differ somewhat quantitatively—but not qualitatively. The difference between my estimates and AELP (2022) is likely due to the missing observations on opioid deaths and that, prior to 1999, my data does not include all opioid deaths (missing those with ICD-9 code N965.0). Despite these differences, like estimates in AELP (2022), my estimates indicate that deaths from opioids were significantly higher in non-triplicate states and this difference grows with time. Estimates using the imputed death rates (columns K3 and K4) are virtually identical to those using the observed data. My estimates show a slightly steeper gradient with respect to time of the effect of being a non-triplicate state.

| TABLE 1. Estimates of the effect of being a non-triplicate state on drug deaths |
|--------------------------------|--------------------------------|------------|------------|------------|------------|------------|
|                             | AELP (2022) | Kaestner |                  |                  |            |            |
|                             | (AELP1) | (AELP2) | (K1) | (K2) | (K3) | (K4) |
| Non-triplicate × Deaths from all drugs |            |            |            |            |            |            |
| 1996–2000                   | 1.17**    | 1.29**    | 1.25**    | 1.30**    | 1.30**    | 1.28**    |
|                            | [0.39,2.37]| [0.42,2.45]| [0.48,2.02]| [0.60,2.00]| [0.60,2.00]| [0.59,1.99]|
| 2001–2010                   | 3.67**    | 4.49**    | 3.79**    | 4.51**    | 4.51**    | 4.49**    |
|                            | [1.52,6.21]| [2.20,6.40]| [1.94,5.63]| [2.81,6.20]| [2.81,6.20]| [2.79,6.18]|
| 2011–2017                   | 6.06**    | 7.81**    | 6.17**    | 7.82**    | 7.82**    | 7.80**    |
|                            | [2.81,9.37]| [4.02,10.44]| [3.49,8.86]| [5.15,10.48]| [5.15,10.48]| [5.13,10.46]|
| Impute missing deaths=9    | No        | No        | No        | No        | Yes       | No         |
| Impute missing deaths=1    | No        | No        | No        | No        | No        | Yes        |
| Weighted                   | No        | Yes       | No        | Yes       | Yes       | Yes        |
| Mean 1991–1995             | 3.89      | 4.44      | 3.96      | 4.45      | 4.45      | 4.43       |
| N                          | 1377      | 1377      | 1368      | 1348      | 1377      | 1377       |
| Non-triplicate × Deaths from opioids |            |            |            |            |            |            |
| 1996–2000                   | 0.63**    | 0.62**    | 0.64      | 0.50      | 0.34      | 0.38      |
|                            | [0.09,1.17]| [0.12,1.61]| [0.18,1.45]| [0.07,1.08]| [0.14,0.81]| [0.08,0.86]|
| 2001–2010                   | 2.61**    | 2.94**    | 3.60**    | 3.59**    | 3.36**    | 3.47**    |
|                            | [1.12,4.38]| [1.23,4.25]| [2.09,5.11]| [2.17,5.02]| [2.10,4.63]| [2.20,4.73]|
| 2011–2017                   | 5.00**    | 5.90**    | 6.02**    | 6.90**    | 6.68**    | 6.78**    |
|                            | [1.48,8.29]| [1.76,8.90]| [3.66,8.37]| [4.23,9.59]| [4.17,9.18]| [4.28,9.26]|
| Impute missing deaths=9    | No        | No        | No        | No        | Yes       | No         |
| Impute missing deaths=1    | No        | No        | No        | No        | No        | Yes        |
| Weighted                   | No        | Yes       | No        | Yes       | Yes       | Yes        |
| Mean 1991–1995             | 1.39      | 1.48      | 0.8       | 0.8       | 0.76      | 0.42       |
| N                          | 1377      | 1377      | 1168      | 1168      | 1377      | 1377       |

Notes: All regression models include state and year fixed effects. Standard errors are constructed allowing for non-independence of observations within a state (i.e., robust-cluster method). Confidence intervals are shown in brackets. ** indicates statistical significance at the 5% level.
The origin of digestive and respiratory deaths

I have emphasized that the AELP (2022) analysis is based on little theory and lacks specific hypotheses. It is largely a statistical model that is exploratory. Given this, I apply the same statistical model to explore the role of the introduction of OxyContin in the presence of triplicate and non-triplicate states in deaths from causes other than drugs. In fact, AELP (2022) examined two other causes of death: suicide and alcohol-related liver disease. The authors conclude that they do not find any significant effects of the introduction of OxyContin (i.e., being a non-triplicate state) on these two causes of death.10 Here I apply the statistical model used by AELP (2022) to several other causes of death: cancer, circulatory, digestive, metabolic and respiratory.11 These illnesses were selected because they are most of the major causes of death among adults. Data on these deaths comes from the CDC Wonder database (link).

Estimates for these causes of death are presented in Table 2. For two of the five causes of death, estimates are statistically significant and the pattern of estimates is similar to that for all drugs and opioids (which were shown above in Table 1). Deaths due to digestive illnesses and respiratory causes are higher in non-triplicate states than triplicate states and the difference grows with time, which is a pattern exactly like that found for drugs. The magnitudes of the estimates are modest (e.g., 10 percent effect size).12 There may be some reason to believe that the introduction of OxyContin had a causal effect on deaths from these causes, but it is not obvious, nor is it obvious why the time pattern of deaths would differ between states with and without a triplicate prescription program. Overall, estimates in Table 2 highlight the atheoretical and statistical nature of the AELP (2022) article. Applying the same statistical model yields estimates of the effect of the 1996 introduction of OxyContin that lack plausibility. For example, the 22 per 100,000-unit decline in deaths from respiratory causes in non-triplicate states subsequent to the introduction of OxyContin is almost twice the 20-year change (~12) in deaths from respiratory causes between 2000 and 2020 (see the CDC Wonder database).

In the last two columns, I add the death rates from the five illnesses to the model of deaths from all drugs and opioids. This is appropriate under the assumption that the introduction of OxyContin has no causal effect on these other

10. However, when the same statistical model used in the main analysis is estimated for these alternative causes of death, there is evidence of a divergence between triplicate and non-triplicate states in suicides. Only after controlling for differential prior trends by detrending the data does the difference become statistically zero.
11. I used the death rates for those ages 35 to 85.
12. The huge increase in deaths from drugs over time makes the comparison of magnitudes challenging, as there is no similar increase in other causes of death.
causes of death, but that these death rates are correlated with unmeasured confounders, which is demonstrated by the significant estimates for non-drug causes of death. Including these variables reduces the magnitudes of the effects of being in a non-triplicate state by from 22 percent to 38 percent in the case of all drugs, and by from 20 percent to 28 percent in the case of opioids.

**TABLE 2.** Estimates of the effect of being a non-triplicate state on several causes of death

<table>
<thead>
<tr>
<th></th>
<th>Kaestner</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-triplicate</td>
<td>Cancer</td>
<td>Circulatory</td>
<td>Digestive</td>
<td>Metabolic</td>
</tr>
<tr>
<td>Non-triplicate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996–2000</td>
<td>5.34</td>
<td>1.4</td>
<td>2.8”</td>
<td>0.8</td>
<td>5.5”</td>
</tr>
<tr>
<td></td>
<td>[-0.02,10.7]</td>
<td>[-25.3,28.1]</td>
<td>[0.9,4.6]</td>
<td>[-2.9,4.5]</td>
<td>[2.5,8.5]</td>
</tr>
<tr>
<td>2001–2010</td>
<td>11.4</td>
<td>-5.9</td>
<td>4.6”</td>
<td>0.4</td>
<td>12.0”</td>
</tr>
<tr>
<td></td>
<td>[-0.9,23.7]</td>
<td>[-48.4,36.7]</td>
<td>[1.7,7.5]</td>
<td>[-7.1,8.0]</td>
<td>[10.8,23.1]</td>
</tr>
<tr>
<td>2011–2017</td>
<td>14.8</td>
<td>7.0</td>
<td>6.9”</td>
<td>2.6</td>
<td>22.8”</td>
</tr>
<tr>
<td></td>
<td>[-1.2,30.8]</td>
<td>[-45.2,59.1]</td>
<td>[2.9,11.0]</td>
<td>[-10.0,15.2]</td>
<td>[4.9,40.6]</td>
</tr>
<tr>
<td>Include other causes of death</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Weighted</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Mean 1991–1995</td>
<td>421</td>
<td>735</td>
<td>61</td>
<td>58</td>
<td>165</td>
</tr>
<tr>
<td>N</td>
<td>1377</td>
<td>1377</td>
<td>1377</td>
<td>1377</td>
<td>1368</td>
</tr>
</tbody>
</table>

*Table Note: All regression models include state and year fixed effects. Standard errors are constructed allowing for non-independence of observations within a state (i.e., robust-cluster method). ICD-10 codes for each cause of deaths are as follows: cancer (C00-D48); circulatory (I00-I99); digestive (K00-K92); metabolic (E00-E88); and respiratory (J00-J98). ** indicates statistical significance at the 5% level.

What the results in Table 2 suggest is that estimates of AELP (2022) are confounded by unmeasured factors. Death rates from illnesses with little direct connection to drug and opioid use, digestive and respiratory causes, and more importantly, to the introduction of OxyContin and whether a state had a triplicate program, follow the same general time path as death rates from all drugs and opioids. These results underscore that the AELP (2022) article was not an experiment and that the premise of a natural experiment was not valid. It was an observational study using regression methods that was at best exploratory. Its results and conclusions, particularly the claim that the introduction of OxyContin explains 79 percent of the change in opioid deaths from 1996 to 2017, should not be accepted. The claim is based on evidence that is unreliable. Even if we confine ourselves to the supply-side explanations of the opioid tragedy, AELP do not provide a particularly believable alternative to the conventional explanation, that changing attitudes and new treatment guidelines encouraged doctors to treat patients’ pain more aggressively with opioids.
Differential pre-trends in triplicate and non-triplicate states

Close inspection of Figure I in AELP (2022, 1141) suggests that, between triplicate and non-triplicate states, there may be differential trends in deaths from all drugs and opioids prior to 1996. That might suggest those sets of states differed systematically, which especially would undermine the claim of AELP’s approach to be a natural experiment. This was a major concern of the authors and they conducted a variety of analyses that demonstrate the problem including one similar to what I present next.

First, to investigate whether there were differential pre-trends, I estimated a regression of all drug deaths on state fixed effects and a separate quadratic time trend for triplicate and non-triplicate states using only data prior to 1996. The results of that regression indicate that, prior to 1996, triplicate and non-triplicate states had different trends in deaths for all drugs and the difference was statistically significant. I used these regression results to predict the time trend in deaths due to all drugs for the entire 1983 to 2017 period and subtracted that predicted value from the actual death rate for all drugs. Then, to control for the possibility of differential pre-trends, which would bias estimates of the difference-in-differences design, I used the detrended death rate to re-estimate the models in Table 1 (Bacon-Goodman 2021). This is the same procedure used by AELP (2022) in their analyses of deaths due to suicides and alcohol-related liver disease, and in their Appendix Figure A20 for drug and opioid deaths. There is one major difference between my approach and theirs, however: I used a quadratic time trend instead of a linear trend. The quadratic trend prior to 1996 is visually observable in Figure 1, although not pronounced. However, as noted, the trends were statistically different.

Estimates from this procedure are shown in Table 3. For clarity, I included the original estimates from AELP (2022), my estimates using the untransformed data, and estimates when the detrended data were used. Controlling for differential pre-trends in this way substantially reduces estimates of the effect of being a non-triplicate state. The estimate for the 1996–2000 period is reduced by 17 percent; the estimate for the 2001–2010 period is reduced by 30 percent; and the estimate for the 2011–2017 period is reduced by 46 percent. These large reductions in estimates when controls for pre-trends are included raise further doubts about the

13. I calculated the slope of the quadratic trend at various points in time for triplicate and non-triplicate states and tested whether those slopes differed.
14. Standard errors of estimates are likely biased because the construction of these ignores the fact that the dependent variable is predicted and not the actual value.
validity of the AELP (2022) statistical approach.

This evidence of a likely invalid research design adds to that reported by the authors and evidence in Table 2 above. There are clearly unmeasured factors that are causing the trends in drug deaths to differ in triplicate and non-triplicate states. Whether the estimates that address this issue, either those in AELP (2022), in Table 2 from models that include additional death rates, or those in Table 3 from models using detrended data, are enough to eliminate the problem is unknown. What is known is that the validity of the statistical approach used by AELP (2022) is suspect. Given this, AELP’s conclusions and causal claims are suspect and should be interpreted accordingly.

### TABLE 3. Estimates of the effect of being a non-triplicate state on detrended all drug deaths

<table>
<thead>
<tr>
<th></th>
<th>AELP (2022) Original</th>
<th>AELP (2022) Detrended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-triplicate ×</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996–2000</td>
<td>1.29*</td>
<td>1.30*</td>
</tr>
<tr>
<td></td>
<td>[0.42,2.45]</td>
<td>[0.60,2.00]</td>
</tr>
<tr>
<td>2001–2010</td>
<td>4.49*</td>
<td>4.51*</td>
</tr>
<tr>
<td></td>
<td>[2.20,6.40]</td>
<td>[2.81,6.20]</td>
</tr>
<tr>
<td>2011–2017</td>
<td>7.81*</td>
<td>7.82*</td>
</tr>
<tr>
<td></td>
<td>[4.02,10.44]</td>
<td>[5.15,10.48]</td>
</tr>
<tr>
<td>Weighted</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Mean 1991–1995</td>
<td>4.44</td>
<td>4.45</td>
</tr>
<tr>
<td>N</td>
<td>1377</td>
<td>1368</td>
</tr>
</tbody>
</table>

*Note:* ** indicates statistical significance at the 5% level.

### Synthetic control

Another approach used by AELP (2022) to address differential pre-trends between triplicate and non-triplicate states was the synthetic control method. The synthetic control method compares the time pattern of deaths from drugs in triplicate states as a whole, or in each triplicate state separately, to the time pattern of deaths from drugs in a composite group of non-triplicate states that are the best match for the triplicate states or state. The best match is chosen purely on a statistical basis and is not necessarily a good match—just the best that a statistical algorithm can select.

Consider results reported in AELP (2022) for California. California is the most important triplicate state in terms of the magnitude of its impact and its contribution to the overall estimate of the effect of being a triplicate state. When
California is dropped from the analysis, estimates of the effect of being a triplicate state on deaths from drugs declines by 30 percent (Figure C3 in AELP 2022). The synthetic control analysis for California produces a surprising result: There are only two states out of 46 including Washington DC that form the composite group of non-triplicate states that are the best match, or counterfactual ‘outcome in California if it did not have triplicate status.’ Those two states are Nevada, which contributes 5 percent to the composite outcome and Washington (state), which contributes 95 percent to the composite outcome. Thus, the synthetic control analysis of the effect of California’s triplicate program is basically a comparison of California and Washington. There might be some reason to see Washington as representing the right counterfactual outcome for California—maybe something about being on the Pacific Ocean?—but it is more likely that Washington was chosen purely because the statistical algorithm couldn’t come up with anything better.

I used the synthetic control approach for California to assess its reasonableness. My analysis differs from AELP (2022) in one way: I used annual data whereas they used quarterly data. It is the only time that AELP (2022) used quarterly data. They argue that quarterly data provides more information than annual data. That may be true, but reason suggests that the use of quarterly versus annual data should not make too much of a difference for selecting a comparison group of states. If it does, it reveals the fragility of the approach.

My results yield an equally surprising finding vis-à-vis that reported in AELP (2022). Like AELP (2022) only two states contribute to the composite comparison group, but these two states are Nevada, which now contributes 84 percent (compared to 5 percent in AELP 2022), and the other Washington, that is, the District of Columbia, which contributes 16 percent. Just using annual instead of quarterly data changes the comparison group radically. Would Nevada and the District of Columbia be likely candidates to use as counterfactuals for California? It strains the imagination to believe that any theoretically driven approach would choose these two states. To illustrate the arbitrariness of the synthetic control approach, I re-estimated the model using only data from 1989 (seven years prior to the introduction of OxyContin). In this iteration, the states that contribute to the composite comparison group are New Mexico (50 percent), Rhode Island (31 percent) and the District of Columbia (19 percent)—Washington and Nevada are nowhere to be found. Again, we have an unintuitive and shifting cast of comparison states.

Remarkably, all estimates obtained using the synthetic control method, those from AELP (2022) and my two, show that deaths from drugs were substantially lower in California than in any of these other synthetic comparison groups after 1996. This may be because of the triplicate program and its unknown and
unspecified effect on the time pattern of prescription opioid use, or it may simply reflect the fact that California is an outlier with a pattern of death rates that is idiosyncratic, as indicated by the analysis that left out California.

In fact, as shown in Figure 2, California’s mortality rate from drugs starts out 2.5 times higher than that of all non-triplicate states in 1983 and declines relative to non-triplicate states continuously and, generally, smoothly until 2017 (except for the likely data problem in 2001). The figure clearly shows a differential pre-trend prior to 1996. In 1995, the ratio of drug deaths in California to drug deaths in non-triplicate states is 1.5—40 percent lower than it was in 1983. Even if the comparison to non-triplicate states is limited to just Washington state, which is virtually the only comparison state used by AELP (2022), there is still marked evidence of a significant pre-trend. Indeed, the line in Figure 2 that pertains to the difference between California and Washington is virtually the synthetic control result obtained by AELP (2022). The drug death rate in Washington state was rising relative to that in California prior to 1996 and it continued to rise relative to California post-1996. In sum, California seems to be an outlier and the synthetic control approach unreliable.

Figure 2. Ratio of drug death rate in California to non-triplicate states and California to Washington state by year

Another important triplicate state is New York, which also had one of the largest estimates of the effect of the introduction of OxyContin (see Appendix Figure D2 in AELP 2022). I also used the synthetic approach for New York. AELP (2022) reported that the non-triplicate states that constitute the comparison group are: New Mexico (42 percent), Connecticut (34 percent), Massachusetts (13
percent), Rhode Island (6 percent), West Virginia (5 percent) and the District of Columbia (1 percent). While several of these states seem intuitive as comparators, others are not. When I estimate the model using annual data, the states that constitute the comparison group are: New Mexico (25 percent), Connecticut (42 percent), Wyoming (17 percent) and New Hampshire (15 percent). When I limit the pre-period to 1989 to 1995, the comparison states consist of Massachusetts (79 percent), New Hampshire (20 percent) and New Mexico (1 percent). These shifting comparison states in terms of both whether they are included or excluded in the synthetic control unit, and the weight they contribute to the counterfactual synthetic group, seems problematic. A true experiment, which is what all the analyses conducted by AELP (2022) intend to mimic, would not support a shifting composition of the comparison group that changes seemingly randomly. And as with California, all these synthetic control analyses indicate that deaths from drugs in New York grew significantly slower than in the synthetic comparison groups after 1996.

The same question applies in this case: is the lower drug death rate because New York is an outlier, or is it because of its triplicate status? Figure 3 shows the strange pattern of deaths from drugs in New York versus all other non-triplicate states and versus Massachusetts—one of the important states in the synthetic comparison group. There is a large relative increase in deaths from drugs in New York between 1989 and 1992, which was almost surely due to the crack epidemic. While limiting the comparison to Massachusetts improves this a bit, the differential pre-trends persist in this comparison. This makes New York an outlier.

**Figure 3.** Ratio of drug death rate in New York to non-triplicate states and New York to Massachusetts by year
Overall, the statistical nature of the synthetic control approach and its fragility to small changes in model specification (e.g., length of pre-period) and unit of analysis (annual versus quarterly data) undermine its reliability and value as a solution to differential pre-trends that I have demonstrated bias estimates obtained by AELP (2022). Figures 2 and 3 show that in the two states in which the introduction of OxyContin had the largest effects, California and New York, there are clear differences in pre-trends between the triplicate and non-triplicate states further eroding confidence in all the results from AELP (2022).

**Conclusion**

There is a widely accepted explanation for the opioid epidemic, as described in numerous places (Humphreys et al. 2022; De Weerdt 2019; Congressional Budget Office 2022). That conventional wisdom points to changes in physician opioid prescribing behavior caused by a greater concern to effectively treat pain. The standard explanation also argues that opioid manufacturers, including but not limited to Purdue Pharma, increased prescribing through aggressive marketing efforts. Jonathan Marks writes in the *Journal of Bioethical Inquiry*:

Most of the media attention has focused on Purdue Pharma—and on members of the Sackler family who are major shareholders. However, it is important to keep in mind that this company was only one of several drug companies that promoted their opioids by building webs of relationships with a variety of public health agencies, academic institutions, and public health NGOs, as well as thousands of individual health professionals. A recent trial in Oklahoma shed light on the activities of Johnson & Johnson, a family of companies that has not only sold its own opioids but also supplied the active ingredients to several other opioid companies, including Purdue Pharma (Hoffman 2019a, 2019b). For that reason, Johnson & Johnson had an additional incentive to engage (and did engage) in the unbranded promotion of opioids. The criminal trial of the former executives of another company, Insys, also shed light on its fraudulent marketing practices (Emanuel and Thomas 2019). We know more about the “webs of influence” woven by these companies than about the strategies of other companies that have been more successful, thus far, at keeping evidence out of the public domain—often by settling cases before they go to trial. But there is clear evidence that aggressive promotion strategies were widespread, to varying degrees, across the opioid industry. (Marks 2020, 174)

In addition, the marketing of a branded drug by Purdue Pharma was not out of the ordinary (Ma et al. 2003; Schwartz and Woloshin 2018). Promotional efforts
by pharmaceutical companies predated the introduction of OxyContin and have continued, and promotional spending on narcotic analgesics was an order of magnitude lower than promotional spending on other drug classes around the time of OxyContin’s introduction (Ma et al. 2003).

In fact, AELP (2022) do not really take on the question of what was the origin and enduring cause of the opioid epidemic. Instead, the analysis of AELP (2022) is intended to answer a much narrower research question. That objective is to estimate the effect of triplicate prescription programs, which applied to all Schedule II prescription opioids, on deaths from drugs (opioids). Triplicate prescription programs plausibly reduced prescription opioid use for Schedule II drugs such as oxycodone including OxyContin, although given that hydrocodone and propoxyphene, which dominated the prescription opioid market until about 2010, were not affected by the triplicate programs, it is unclear whether and by how much the triplicate prescription programs affected total prescription opioid use. Triplicate prescription programs also predated the introduction of OxyContin and presumably impacted opioid prescribing prior to 1996 (Department of Health and Human Services 1992). While the mix of prescription opioids changed with the rapid rise of OxyContin from 1996 to 2001, data on total prescription opioid sales does not indicate a sharp increase in all prescription opioids in 1996 (Food and Drug Administration 2018). Such an increase would seem necessary if the origin of the opioid epidemic was the introduction of OxyContin given that there are 46 non-triplicate states including Washington DC that were (more) affected by the introduction of OxyContin. This basic fact suggests that the combination of triplicate prescription programs and introduction of OxyContin is unlikely to be a particularly important part of the explanation of the opioid epidemic.

However, the value of the more limited objective of AELP (2022) is diminished by the absence of any direct assessment of the effect of prescription opioids on drug deaths and the considerable evidence that the presence of a triplicate prescription program is not a valid natural experiment. In the end, the empirical analysis is a good old fashioned observational study with all the usual associated pitfalls. Thus, AELP’s conclusions about the effects of the triplicate prescription program are suggestive at best. The article’s title and packaging are regrettably audacious and its conclusions are inappropriately advanced by publication in the Quarterly Journal of Economics.

References

Bureau of Economic Research (Cambridge, Mass.). Link


Kolodny, Andrew, David T. Courtwright, Catherine S. Hwang, Peter Kreiner, John
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Temperature and Economic Growth: Comment on Kiley

David Barker

Previously in this journal I commented on research first published by the Federal Reserve Bank of Richmond, by Riccardo Colacito, Bridget Hoffman, and Toan Phan (2018) purporting to show that higher temperatures have lowered the rate of economic growth in the United States. I found that the work was poorly reasoned and that the data actually showed no relationship at all between temperature and growth in the United States (Barker 2022).

At least a few economists at the Federal Reserve seem to be bent on showing that climate change will hurt economic growth. Using different data and statistical techniques, a paper by Michael Kiley (2021) and published by the Board of Governors of the Federal Reserve also claims that high temperatures will reduce economic growth. Kiley’s paper has been widely cited, particularly in other Federal Reserve publications, and received positive coverage in the New York Times (Irwin 2021), but here in this article I show that it too is deeply flawed.

The economic case for reducing CO2 emissions depends critically on the existence of an effect of climate change on the rate of economic growth. Estimates of the Intergovernmental Panel on Climate Change (IPCC 2018) and Nobel laureate William Nordhaus (2018) project that if nothing is done to reduce emissions and global temperatures rise by more than 3.3 degrees Celsius (6 degrees Fahrenheit) by the year 2100, global GDP will be approximately 2.6 percent lower than it will otherwise be at that time—but that amount of impact would be dwarfed by expected growth between now and 2100. If it cannot be demonstrated that climate change will substantially lower the rate of economic growth, then it would be more

1. I thank John Macatee for bringing the Kiley paper to my attention. 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.
difficult to justify government actions to reduce CO2 emissions (Barker 2022).

In the sections that follow I will describe Kiley’s results and how I replicated them, and then explain why the results are flawed.

**Description of Kiley (2021)**

In contrast with Colacito et al. (2018), who used state-level U.S. data on growth and temperatures, Kiley (2021) uses a sample of 124 countries with data on average annual temperatures and economic growth between 1961 and 2010. Also in contrast with Colacito et al. (2018), Kiley (2021) is primarily concerned with the distribution of economic growth instead of mean economic growth. Warming, according to Kiley (2021), increases the likelihood of severe economic contractions, and more so in warm countries than in cool countries. Specifically, he finds that for warm countries in a particular year, the 10 percent of countries with the lowest growth will have even lower growth if temperatures rise. He concludes his abstract as follows:

> Climate change may make economic contractions more likely and severe and thereby significantly impact economic and financial stability and welfare. (Kiley 2021, 1)

Kiley (2021) is similar to Melissa Dell, Benjamin Jones, and Benjamin Olken (2012), who claim that higher temperatures reduce economic growth in poor countries. The primary difference is that Dell et al. (2012) uses ordinary least squares (OLS) estimation with clustered standard errors to examine conditional mean economic growth, while Kiley (2021) uses quantile regression and bootstrapped standard errors, also clustered by country, to examine the conditional distribution of economic growth.

Kiley (2021, 5) begins, however, with an OLS regression of economic growth on temperature, “to set baseline results.” Along with controls for fixed effects by year and country, the independent variables are temperature and temperature squared. The results indicate that in countries with an average temperature below 11° Celsius (52° Fahrenheit), warming will increase the rate of economic growth. Of the countries in Kiley’s sample, this would include most of northern and central Europe, Canada and Chile. For all other countries, warming would reduce the rate of economic growth. Kiley also uses an income dummy variable to show that the growth effect is larger in poorer countries.

I was able to exactly replicate these OLS results, which are similar to those in Dell et al. (2012). Kiley does not provide replication code. I emailed Kiley reque-
ting the code but received no response. The data are available in files provided online by Dell et al. (2012), and I was able to construct Stata code that precisely replicated the estimated coefficients, both for the OLS and quantile regressions.

Kiley (2021) then moves on to his main exercise, which involves quantile regression. OLS regression is designed to estimate the conditional mean of a dependent variable. In other words, coefficients are chosen to produce what the mean value of the dependent variable would be for any given values of the independent variables. In median regression, a special case of quantile regression, the goal is to estimate the conditional median of the dependent variable, and in quantile regression, the goal is to estimate a percentile level of the dependent variable conditional on the values of the independent variable. Separate regressions are performed for different quantiles of the dependent variable, with different weighting of observations for different quantiles estimated. In Kiley (2021), nine regressions are run for the tenth through the ninetieth percentiles. For the tenth percentile, for example, the predicted value of the dependent variable is an estimate of the cutoff point for the tenth percentile of the dependent variable, given the values of the independent variables.

Kiley runs these nine regressions with the annual rate of growth of per capita GDP as the dependent variable, temperature and squared temperature as independent variables, along with fixed effect independent variables. The tenth percentile regressions show a much stronger effect of temperature on growth than the ninetieth percentile regressions, with the effect declining steadily over the nine percentiles estimated. This is Kiley’s key result: the economic effects of climate change are larger when economic growth is lowest.

For the tenth percentile of economic growth, meaning the 10 percent of the observations with the lowest rate of growth, the estimated relationship between the tenth percentile cutoff of growth and temperature is shown below in equation (1). $G_{t,j,10}$ represents the tenth percentile of percentage annual economic growth, and $T_{t,j}$ represents temperature, where $t$ represents the year of the observation and $j$ represents the country of the observation. $D$ represents fixed effect variables and $A_D$ is a vector of coefficients multiplied by those variables.

$$G_{t,j,10} = 1.534T_{t,j} - 0.067T_{t,j}^2 + A_D D$$

The derivative of this expression with respect to temperature is as follows:

$$\frac{dG_{t,j,10}}{dT_{t,j}} = 1.534 - 0.134T_{t,j}$$

2. Kiley (2021) uses the Stata procedure `xtqreg`, which is specialized for panel data and differs in substantial ways from normal quantile regression.
This expression tells us the effect on the tenth percentile of growth of a one degree change in temperature. For example, if the average temperature of a country is 20 degrees Celsius (68 degrees Fahrenheit), then a one degree Celsius increase in temperature would reduce the tenth percentile of annual economic growth by about 1.15 percentage points. Kiley (2021) focuses on the warmest quarter of all countries in the sample, which have average temperatures above 25.64 degrees Celsius (78 degrees Fahrenheit). Because of the squared temperature term, these countries have a larger estimated effect of temperature on growth.

Table 1 shows the effects that Kiley finds and that I was able to replicate. Coefficients on temperature and squared temperature as seen in equation (1) are shown in rows 2 and 3 for each percentile that was estimated. Row 4 shows the effect of a one-degree temperature increase on percentiles of growth in warm countries, as described in equation (2). Row 5 shows the p-value of the effect using standard errors that Kiley obtained by bootstrapping. Row 6 shows the p-values I found in my attempt to replicate Kiley. My results differ slightly because I did not have access to the random number seed used by Kiley. I was able to exactly replicate the results shown in rows two through four.

**TABLE 1. Replication of Table 3 in Kiley (2021)**

<table>
<thead>
<tr>
<th>Quantile</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>1.534</td>
<td>1.330</td>
<td>1.198</td>
<td>1.077</td>
<td>0.972</td>
<td>0.877</td>
<td>0.784</td>
<td>0.673</td>
<td>0.506</td>
</tr>
<tr>
<td>Temperature²</td>
<td>−0.067</td>
<td>−0.059</td>
<td>−0.053</td>
<td>−0.049</td>
<td>−0.044</td>
<td>−0.040</td>
<td>−0.037</td>
<td>−0.032</td>
<td>−0.026</td>
</tr>
<tr>
<td>Effect</td>
<td>−1.902</td>
<td>−1.696</td>
<td>−1.520</td>
<td>−1.436</td>
<td>−1.284</td>
<td>−1.174</td>
<td>−1.113</td>
<td>−0.968</td>
<td>−0.827</td>
</tr>
<tr>
<td>p (Kiley)</td>
<td>0.012</td>
<td>0.003</td>
<td>0.001</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.004</td>
<td>0.052</td>
</tr>
<tr>
<td>p (Barker)</td>
<td>0.015</td>
<td>0.004</td>
<td>0.003</td>
<td>0.001</td>
<td>0.000</td>
<td>0.000</td>
<td>0.002</td>
<td>0.011</td>
<td>0.064</td>
</tr>
<tr>
<td>p (Analytic)</td>
<td>0.326</td>
<td>0.254</td>
<td>0.193</td>
<td>0.128</td>
<td>0.073</td>
<td>0.039</td>
<td>0.033</td>
<td>0.093</td>
<td>0.383</td>
</tr>
</tbody>
</table>

According to these results, warming would decrease the percentiles of economic growth across the entire distribution of economic conditions for warm countries. Dell et al. (2012) show an overall negative effect of temperature on growth, but the regressions in that paper do not include the controls that are included in Kiley (2021). Kiley includes “country specific linear and quadratic time trends,” while Dell et al. (2012) only include linear country and year fixed effects. This result is reported in Table 3 of Kiley (2021, 15) and is described as the “main specification” of the paper (ibid., 4).

Standard errors of the coefficients shown in rows 2 and 3 of Table 1 and used to calculate the effect shown in row 4 are estimated using a bootstrap method. Two hundred synthetic samples are created by picking random countries with replacement so that in each sample some countries are missing, and others are represented twice or more. In each of the 200 synthetic samples, regression
coefficients are estimated and are different each time. The standard deviation of the estimates is the bootstrap estimate of the coefficient standard error.

The monotonic decline in the size of the effect over the nine quantiles is a necessary consequence of quantile regression. It does not demonstrate consistency of any effect of temperature on growth, and Kiley does not claim that it does. Kiley emphasizes the large difference between the upper and lower quantiles. Saying that “the results are stark” and “the differences are sizable,” Kiley (2021, 6) points out that the effect, –1.902 in line 5 for the first quantile, is double that of the ninth decile, –0.827. However, Kiley does not test for the statistical significance of this difference. A bootstrap test of the first and ninth quantile effects is unable to reject that the two are equal. Using the same bootstrap method as Kiley, 200 repetitions and clustering by country, the p-value is 0.249.

Row seven of Table 1 shows the p-values of the effect of warming on already-warm countries using the standard errors produced by the Stata procedure that produced the coefficient estimates. The method is described in Machado and Silva (2019), who emphasize that bootstrapped errors are similar to the “analytical standard errors” produced by the Stata procedure. They also say that in the presence of heteroskedastic errors, analytical standard errors tend to understate true errors. Since the bootstrapped errors are smaller than the analytical standard errors, this is cause for concern.

For the OLS estimates described above, the bootstrapped errors are very similar to the analytical standard errors. For the quantile regressions in Kiley (2021), however, the differences are large, as shown in row 7 of Table 1. Using analytical standard errors, the effect of temperature on the tenth percentile of growth, Kiley’s main result, is statistically insignificant, and so are the results for most percentiles.

In summary, I was able to replicate Kiley’s results, but his primary claim, that the effect of temperature is larger when growth is low than when it is high, is statistically insignificant. This can be seen both using bootstrapped standard errors to test for a difference between the tenth and ninetieth percentiles, and by using analytical standard errors. At the very least, the large difference between analytical and bootstrapped standard errors indicate a potential methodological issue.

### Long-term vs. short-term temperature fluctuations

Kiley (2021) needs to separate the effects of long-term average temperature of countries from short-term fluctuations in temperature. Kiley’s methodology posits, reasonably, that climate change caused by human activity had nothing to do
with long-term temperature differences between countries. So, the paper needs to show that short-term fluctuations, independent of long-term differences, influence economic growth. To remove the influence of long-term average temperature by country, Kiley uses a fixed effects model for country and year, along with controls for trends in growth by country.

It is important to remove the effect of long-term temperature averages of countries, not only because they are not the result of climate change, but because these averages seem to be related to economic growth. Dell et al. (2012) opens by saying:

At least since Montesquieu’s *The Spirit of Laws* (1750), which argued that an “excess of heat” made men “slothful and dispirited,” it has been debated whether temperature is, or is not, central to understanding economic development. … In contemporary data, it is well known that hot countries tend to be poor, with national income falling 8.5 percent per degree Celsius in the world cross section (Dell, Jones, and Olken 2009). However, many argue that this correlation is driven by spurious associations of temperature with national characteristics such as institutional quality. (Dell et al. 2012, 66)

Dell et al. (2012, 67) go on to say: “By utilizing fluctuations in temperature, we isolate its effects from time-invariant country characteristics.” Kiley (2021, 4) describes his fixed effects controls and says: “This specification eliminates the ‘permanent’ component of weather, and hence may control for concerns regarding the link between the average temperature and the level of income across countries.”

It is important for the credibility of Kiley’s results that he isolate the effect of short-term temperature fluctuations from long-term temperature differences between countries. In the next section I will use simulated data to show that Kiley’s method cannot reliably do so.

### Simulation

The combination of quantile regression, numerous fixed effects, and bootstrapping in Kiley (2021) creates a complicated model. To see whether the model is capable of separating the effects of long-term from short-term temperature variation, I simulated data in which growth depended on the long-term temperature average by country, but not on short-term temperature variation. For 100 simulated countries over 50 years, average temperature by country was a normally distributed random number, and annual temperature was a normally distributed random number added to the average temperature. Economic growth was a function of average country temperature plus a normally distributed random number.
number. Results differ substantially for different runs of random numbers, but it was not hard to find a generating seed that produced results similar to those reported in Kiley. Results using one such seed, 1234, are shown in Table 2. The results can be compared to those in Table 1.

<table>
<thead>
<tr>
<th>Quantile</th>
<th>1</th>
<th>2</th>
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<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>1.52</td>
<td>1.37</td>
<td>1.25</td>
<td>1.146</td>
<td>1.035</td>
<td>0.933</td>
<td>0.832</td>
<td>0.714</td>
<td>0.562</td>
</tr>
<tr>
<td>Temperature^2</td>
<td>-0.041</td>
<td>-0.037</td>
<td>-0.033</td>
<td>-0.030</td>
<td>-0.027</td>
<td>-0.024</td>
<td>-0.021</td>
<td>-0.018</td>
<td>-0.014</td>
</tr>
<tr>
<td>Effect</td>
<td>-0.590</td>
<td>-0.519</td>
<td>-0.462</td>
<td>-0.412</td>
<td>-0.360</td>
<td>-0.311</td>
<td>-0.264</td>
<td>-0.208</td>
<td>-0.136</td>
</tr>
<tr>
<td>p-value</td>
<td>0.220</td>
<td>0.180</td>
<td>0.206</td>
<td>0.235</td>
<td>0.287</td>
<td>0.331</td>
<td>0.485</td>
<td>0.614</td>
<td>0.739</td>
</tr>
<tr>
<td>p with region</td>
<td>0.059</td>
<td>0.071</td>
<td>0.062</td>
<td>0.064</td>
<td>0.087</td>
<td>0.079</td>
<td>0.103</td>
<td>0.140</td>
<td>0.151</td>
</tr>
</tbody>
</table>

The magnitude of the effect is less than in Table 1, but other random number generation seeds can produce very different results. Using 100 random number seeds produced by adding one to 1234 100 times, (1234, 1235, 1236…) I produced 100 sets of data and performed the same analysis on each one. Because of the nature of quantile regression, all 100 showed monotonic patterns of the effect of a one degree change in temperature on growth percentiles with respect to the quantile that is estimated. In other words, the smooth pattern in line 4 of Table 1 is a result of the estimation procedure, not the data. Out of the 100 runs, 57 showed a downward path like that in Kiley (2021), and, of those, 42 showed a negative effect for the first decile. This means that 42 percent of randomly generated datasets with no effect of yearly temperature fluctuations on growth produced the essence of Kiley’s result: a negative effect of temperature for the first decile, and declining effects for deciles 2–9. The methodology of Kiley (2021) is not able to reliably separate the effects of long-term versus short-term temperature variations.

The p-values of the simulated sample described above are higher than those in Table 1, meaning that while the parameters estimated using simulated data replicate the general pattern of those obtained by Kiley, they do not replicate the statistical significance found by Kiley. However, Kiley’s data contain countries that are similar by region, which magnifies the statistical significance of the results. By repeating one of the 100 countries 20 times, I obtained the p-values shown in the last row of Table 2. Significance is marginal, but it is clear that adding regions of countries with correlated temperatures and growth can increase the p-values of the estimates.

This exercise demonstrates that Kiley’s estimation method is not reliable. Using simulated data in which there is no relationship between temperature fluctuations and growth, Kiley’s method suggests that a clear relationship exists that increases by percentile of growth. By modifying the data to incorporate regions
of countries in which temperatures and growth are correlated, these results can be made to appear to be statistically significant.

**Influential observations**

Another reason that Kiley’s estimation method is unreliable is that it is susceptible to inordinate influence by a small number of observations. Kiley fits a separate quadratic function to growth over time for each country, and simultaneously fits, worldwide, growth percentiles as quadratic functions of temperature, controlling for the individual country quadratic trends of growth over time. Growth in per capita GDP over time is a noisy process, not easily modeled with a simple quadratic trend. Kiley’s model forces quadratic trends, producing large prediction errors for countries with episodes of extreme growth. These errors are correlated with country average temperatures and can exert large influences on the estimated coefficients of this relationship.

The $A_{ij}D$ component of the model shown in equation (1) consists of the following:

$$A_{ij}D = C_{ij} + Y_{ij} + C_{jt}t + C_{ij}t^2$$

(3)

$C_{ij}$ is a set of dummy variables, one for each country in the sample, equal to one for a particular country and zero otherwise. $Y_{ij}$ is also a set of dummy variables, but with one dummy variable for each year in the sample. $t$ is an index variable for years, equal to one for the first year in the sample, 1961, two for 1962, etc. The entire model is as follows:

$$G_{ij} = \beta_1 T_{ij} + \beta_2 T^2_{ij} + \beta_3 C_{ij} + \beta_4 Y_{ij} + \beta_5 C_{jt}t + \beta_6 C_{ij}t + \beta_7 C_{ij}t^2$$

(4)

With 124 countries and 49 different years in the sample, there are a total of 299 coefficients estimated. This is repeated for each of nine quantiles, so a total of 2,691 coefficients are estimated using the sample of 5,741 observations, which amounts to one parameter for every 2.13 observations.\(^3\)

Figure 1 shows the residuals from estimating equation (4) for the median quantile but leaving out $T_{ij}$ and $T^2_{ij}$, the temperature variables. These residuals are plotted against temperature. This spread of points is what equation (4) is trying to estimate using temperature and temperature squared. I use colors to show coun-

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3. There are fewer than 124 × 49 observations because some countries have fewer than 49 years of data available. The minimum number of years of data available for a country to be included is 30.
tries that have a large influence on the coefficients on temperature. They are clearly clustered, so the country averages influence the functional form of the estimated effect of temperature on growth, just as they did using simulated data.

Figure 1. Residuals of regression excluding temperature plotted against temperature

![Residuals of regression excluding temperature plotted against temperature](image1)

Figure 2. Actual annual growth plotted against temperature

![Actual annual growth plotted against temperature](image2)
Figure 3. Legend for Figures 1 and 2

- All Others
- Rwanda
- Iran
- Equatorial Guinea
- Syria
- Moldova
- Burundi
- Congo
- Mauritania
- Greenland
- Niger
- Oman
- Mali
- Chad
- Guinea-Bissau
- Sudan
- Algeria
- Jordan
- Senegal

In Figure 2 actual growth is plotted against temperature. In the absence of the controls for trends in growth, there are fewer outlying clusters. Table 3 shows the same results as in Tables 1 and 2 but without the controls for growth. The results are much smaller, are statistically insignificant, and the pattern of the effect is reversed. Without controls for a quadratic trend in growth, the negative effect of higher temperatures is greater when growth is high. Kiley’s key result, that high temperatures have the greatest effect when growth is weak, dissolves when these controls for a quadratic trend in growth are removed. Keeping them in, however, creates influential outlier observations.

### Table 3. Results without controls for growth trends

<table>
<thead>
<tr>
<th>Quantile</th>
<th>1</th>
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<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>-0.345</td>
<td>-0.175</td>
<td>-0.066</td>
<td>0.023</td>
<td>0.103</td>
<td>0.176</td>
<td>0.248</td>
<td>0.334</td>
<td>0.466</td>
</tr>
<tr>
<td>Temperature²</td>
<td>0.004</td>
<td>-0.001</td>
<td>-0.005</td>
<td>-0.008</td>
<td>-0.010</td>
<td>-0.013</td>
<td>-0.015</td>
<td>-0.018</td>
<td>-0.022</td>
</tr>
<tr>
<td>Effect</td>
<td>-0.135</td>
<td>-0.246</td>
<td>-0.317</td>
<td>-0.375</td>
<td>-0.427</td>
<td>-0.475</td>
<td>-0.522</td>
<td>-0.579</td>
<td>-0.664</td>
</tr>
<tr>
<td>p-value</td>
<td>0.810</td>
<td>0.588</td>
<td>0.321</td>
<td>0.251</td>
<td>0.155</td>
<td>0.112</td>
<td>0.133</td>
<td>0.108</td>
<td>0.113</td>
</tr>
</tbody>
</table>

I identified several countries that have high influence on the regression coefficients. Notice the cluster of points in the lower right corner of Figure 1. They represent Equatorial Guinea, a country that is geographically smaller than Maryland and with a 2010 population of less than 700,000. Running the median regression without temperature data, using the estimated parameters on the fixed effect variables, predicted growth for Equatorial Guinea ranges from 175 percent per year to 217 percent per year, while actual growth ranged from −11 percent to 88 percent. Including temperature and squared temperature causes the estimation procedure to attempt to explain these large residuals with temperature, which

---

4. Populations discussed are as reported in Kiley’s (2021) data.
influences the coefficients on temperature. Even with temperature included, however, the residuals for Equatorial Guinea and other countries are very large. For Equatorial Guinea, the fact that economic growth was measured at 48 percent in 1996 and 88 percent in 1997 throws off the estimated quadratic trend in growth. This surge in growth had nothing to do with temperature—Mobil struck oil in Equatorial Guinea in 1995. Average temperatures in 1996 and 1997 were 75.9 and 75.7 degrees Fahrenheit, compared to the 1981–2010 average of 76.2. This slight temperature difference is interpreted by the model as evidence of cooler temperatures causing higher growth, which is interpreted by Kiley as evidence that higher temperatures reduce growth. The ups and downs of oil prices cause high volatility of growth in this tiny oil-dependent country.

Notice the dark green cluster located at ten degrees Celsius above the main mass of points that represent the country of Moldova, a country that is also geographically smaller than Maryland with a 2010 population of approximately 3.5 million. Moldova experienced negative growth of –34 percent in 1992 and –37 percent in 1994 as a result of the collapse of the USSR. Temperatures in Moldova happened to be above average in both of those years.

Per capita GDP in Rwanda dropped by 64 percent in 1994 as a result of the civil war and genocide that occurred that year. Temperatures were above normal that year. Neighboring Burundi saw GDP fall by 34 percent during the four years surrounding 1994.

Another outlier is Greenland, which obviously has a lower average temperature than other countries, and a very small economy. Greenland’s population is under 57,000, about half that of Peoria, Illinois.

It is important to note that the Stata procedure used by Kiley to perform quantile regression, *xtqreg*, does not allow observations to be weighted. This means that Greenland has just as much influence over Kiley’s results as China, which has a population that is more than 23,000 times larger. China has a geographic area more than 24,000 times that of St. Vincent and the Grenadines, but each are weighted equally in Kiley’s analysis.

To illuminate the fragility of Kiley’s results, I will drop two countries—Equatorial Guinea and Greenland, and 33 other observations out of the total of 5,741. Table 4 lists these 33 deletions. In total, approximately 2 percent of the total observations were dropped.

Table 5 shows the results of this estimation. Instead of decreasing over the percentiles, the effect of a temperature increase on the percentile boundaries increases, the opposite of Kiley’s main result. Using bootstrapped standard errors, this effect for the tenth and twentieth percentiles are statistically insignificant, again contradicting the main result of Kiley (2021). Using analytic standard errors, results for all nine percentiles are not even close to statistical significance.
TABLE 4. Deleted observations

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niger</td>
<td>1984</td>
<td>Coup</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1963–64, 1994</td>
<td>Genocides</td>
</tr>
<tr>
<td>Iran</td>
<td>1977–81</td>
<td>Revolution</td>
</tr>
<tr>
<td>Chad</td>
<td>1979–80</td>
<td>Civil War, war with neighbor</td>
</tr>
<tr>
<td>Moldova</td>
<td>1991–99</td>
<td>Fall of USSR</td>
</tr>
<tr>
<td>Syria</td>
<td>1966</td>
<td>Coup</td>
</tr>
<tr>
<td>Syria</td>
<td>1973</td>
<td>War</td>
</tr>
<tr>
<td>Guinea Bissau</td>
<td>1998</td>
<td>Civil War</td>
</tr>
<tr>
<td>Sudan</td>
<td>1978–79</td>
<td>Inflation, debt crisis</td>
</tr>
<tr>
<td>Sudan</td>
<td>1971–73</td>
<td>First Civil War</td>
</tr>
<tr>
<td>Sudan</td>
<td>1984–85</td>
<td>Second Civil War</td>
</tr>
<tr>
<td>Burundi</td>
<td>1993–95</td>
<td>Genocide in Rwanda</td>
</tr>
</tbody>
</table>

TABLE 5. Results after deleting observations

<table>
<thead>
<tr>
<th>Quantile</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>1.248</td>
<td>1.105</td>
<td>1.012</td>
<td>0.930</td>
<td>0.855</td>
<td>0.788</td>
<td>0.726</td>
<td>0.644</td>
<td>0.525</td>
</tr>
<tr>
<td>Temperature²</td>
<td>−0.038</td>
<td>−0.036</td>
<td>−0.034</td>
<td>−0.033</td>
<td>−0.031</td>
<td>−0.030</td>
<td>−0.029</td>
<td>−0.028</td>
<td>−0.026</td>
</tr>
<tr>
<td>Effect</td>
<td>−0.719</td>
<td>−0.732</td>
<td>−0.741</td>
<td>−0.748</td>
<td>−0.755</td>
<td>−0.761</td>
<td>−0.767</td>
<td>−0.774</td>
<td>−0.785</td>
</tr>
<tr>
<td>p-value, BS</td>
<td>0.199</td>
<td>0.093</td>
<td>0.081</td>
<td>0.024</td>
<td>0.028</td>
<td>0.030</td>
<td>0.015</td>
<td>0.040</td>
<td>0.087</td>
</tr>
<tr>
<td>p-value, AE</td>
<td>0.786</td>
<td>0.608</td>
<td>0.718</td>
<td>0.828</td>
<td>0.882</td>
<td>0.910</td>
<td>0.928</td>
<td>0.945</td>
<td>0.961</td>
</tr>
</tbody>
</table>

Dropping these observations also affects the OLS results in Kiley (2021). The temperature at which there is no effect of warming on growth increases from 11.0° to 13.8° Celsius. The average temperature for the United States in 2010 was 13.7°, which would mean that warming would increase economic growth. In fact, using the countries in Kiley’s sample, those with average temperatures below 13.7° Celsius produced 60.4 percent of world GDP in 2010.

I also identified 18 countries that together account for less than one percent of world GDP, that, if removed from the analysis, reverse the sign of the effect for the lower percentiles. These countries are shown in Figure 4. These countries were identified by estimating equation (4) multiple times, leaving out another country each time. The country that had the largest influence on the calculated derivative of growth with respect to temperature with temperature equal to 20 degrees (approximately the mean of the sample) shown in equation (2) was omitted first, and then the process was repeated to find the next country with the largest influence until 18 countries were identified. Burkina Faso and the Republic of the Congo\(^5\) were

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close in influence, and Burkina Faso ranked 19th in influence. Since Burkina Faso is contiguous to the large block of other omitted countries, the two were substituted. The estimates are similar either way. Table 6 contains the results.

**Figure 4.** Map of countries in sample: Gray are missing, dark blue are influential

![Map of countries in sample](image)

<table>
<thead>
<tr>
<th>Quantile</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>0.793</td>
<td>0.691</td>
<td>0.622</td>
<td>0.565</td>
<td>0.513</td>
<td>0.466</td>
<td>0.421</td>
<td>0.366</td>
<td>0.283</td>
</tr>
<tr>
<td>Temperature^2</td>
<td>-0.006</td>
<td>-0.008</td>
<td>-0.009</td>
<td>-0.010</td>
<td>-0.011</td>
<td>-0.012</td>
<td>-0.013</td>
<td>-0.014</td>
<td>-0.015</td>
</tr>
<tr>
<td>Effect</td>
<td>0.462</td>
<td>0.270</td>
<td>0.140</td>
<td>0.035</td>
<td>-0.064</td>
<td>-0.153</td>
<td>-0.237</td>
<td>-0.340</td>
<td>-0.495</td>
</tr>
<tr>
<td>p-value, BS</td>
<td>0.432</td>
<td>0.544</td>
<td>0.702</td>
<td>0.923</td>
<td>0.832</td>
<td>0.640</td>
<td>0.470</td>
<td>0.361</td>
<td>0.258</td>
</tr>
</tbody>
</table>

Most of the omitted countries are correlated in ways having nothing to do with climate change. They are located in or near the deserts of northern Africa and southwestern Asia, have principally Islamic cultures, and either produce oil or are located near countries that produce oil. Oil discoveries coincide with spikes in economic growth. In Oman, for example, growth reached 48 percent in 1967 and 57 percent in 1968. Oil was first exported from Oman in 1967, and temperatures happened to be below average in those two years.

Across these countries, temperatures are correlated because of geographic proximity and shared latitude. Growth is correlated because of trading relationships, regional oil exploration and oil prices. If by chance shared spikes in economic activity are negatively correlated with temperature, Kiley’s (2021) estimation
procedure will interpret this correlation as a causal relationship. Because this region contains many countries and each country is weighted equally in Kiley’s (2021) regressions, any chance correlation is magnified.

Is it fair to drop out 18 countries from an initial set of 124? One way to think about that question is to consider how much empirical economic activity is being dropped. These 18 countries accounted for less than one percent of the collective GDP of the 124 countries in 1985, the year at the midpoint of the period investigated by Kiley. One should hope that any result Kiley finds for 100 percent of the economic reality represented by his dataset will also show up for any 99 percent of the economic reality represented by his dataset.

The dropped countries, representing less than 1 percent of the collective GDP of all countries in the sample, account for approximately 20 percent of the collective GDP of countries in the sample that have below median GDP per capita. Dropping only 2 percent of the observations eliminates the statistical significance and coherence of Kiley’s results, and dropping countries representing less than one percent of world GDP actually reverses the sign of his results. They do not appear to be a reliable measure of the effect of temperature on growth for most of the world.

**Concluding remarks**

Recent Federal Reserve research has attempted to demonstrate that warmer temperatures will reduce economic growth. Colacito (2019) claimed that higher temperatures would reduce economic growth in the United States. In Barker (2022) I found flaws in the paper and that the data did not show a relationship between temperature and growth. Kiley (2021) uses cross country data to claim that warming temperatures will reduce economic growth in warm countries with low economic growth.

In this paper I show that the results in Kiley (2021) are also flawed. His main result was that temperature affects the tenth decile of economic growth, and that this effect is larger than it is for higher deciles. The effect on the tenth decile is statistically insignificant using analytical standard errors (which Kiley does not report), and using his bootstrapped standard errors there is no significant difference between the upper and lower decile. In simulated data the estimation method used by Kiley can find an effect of temperature fluctuations that by construction does not exist. Kiley’s results are also highly influenced by a small number of observations with very large contractions or expansions in economic activity caused by such factors as genocide, coups, the collapse of the Soviet Union, civil wars, and the discovery of large oil reserves. Dropping a small number of
observations eliminates and partly reverses his result, and dropping countries that
display less than one percent of world GDP reverses the result. Kiley’s analysis
demonstrates nothing about the effect of climate change on economic growth.

Data and code

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

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Classical Liberalism in Romania, Past and Present

Radu Nechita¹ and Vlad Tarko²

Present-day Romania is the result of the unification of three historical principalities: Moldova, Wallachia, and Transylvania, situated east, south and west of the Carpathian Mountains. The areas of Moldova and of Wallachia were for most of their history, since the mid 15th century, under the control of the Ottoman Empire, and unified in 1859 under Alexander Ioan Cuza, a prominent 1848 revolutionary in Moldova, elected as prince. The area of Transylvania has been for most of its history since the 11th century integrated in the Hungarian kingdom and controlled by Hungarian speaking aristocracy, even during its independence (16th and 17th centuries) or integration with the Habsburg empire (18th and 19th centuries). Transylvania had a large Romanian peasant population. It became part of Romania after Hungary’s loss in WWI (Hitchins 2018/1996).

Broadly speaking, from its beginnings in the 19th century and to the present day, we can see Romanian liberalism as a movement trying to modernize and integrate Romania within Western European culture and politics. The main counter-reaction to this movement has been, and continues to be, a coalition of forces favoring tradition and idealizing rural life. The Orthodox Church has been, and continues to be, part of this anti-liberal, anti-European counter-reaction.

Romanian liberalism has its origins in the 19th century ‘national liberal’ movement in continental Europe. That movement was the main intellectual driver for the political unification of Romania and the creation of the Romanian national

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The movement has had two key components, one economic and one ethno-political.

On one hand, national liberalism was a movement against the power of the landed aristocracy and of lingering feudalism in parts of Europe. The movement, during the early 19th century, saw the urban bourgeois and a part of the aristocracy (the ‘small boyars’) joining forces with peasant revolts in a fight to abolish serfdom and establish a commercial society. This movement shook the continent with the 1848 revolutions, and while all of these revolutions were, strictly speaking, defeated, they nonetheless generated large social and political changes. The ‘small boyars’ side of the Romanian 1848 revolutions included most of the public intellectuals of the period, who brought modern ideas — both liberal and anti-liberal — to the region. Romania did not have a significant industrial workforce until communism and, as such, there was little basis for the growth of socialism per se. However, the main peasant party in the mid-20th century had many characteristics of a center-left party. Before the 20th century, liberals were also seen as primarily left wing, in opposition to traditionalist forces. Some of the key 19th century liberal figures, like C. A. Rosetti, were radical both in their republican and anti-clerical beliefs. Moving into the 20th century, the National Liberal Party became a center-
right party, in opposition to the peasant party, and its policies gradually moved away from classical liberalism toward protectionism and mercantilism.

On the other hand, national liberalism was a nationalist movement against empires and colonialism, especially against the Austro-Hungarian, Ottoman, and Russian Empires. The political aim was to create national states, understood in opposition to the multi-ethnic empires. These national states were envisioned as a method of protecting ethnic identities by allowing each ethnic group to have its own independent state. A simultaneous, and complementary, aim was to create these unified ethnicities in the first place by standardizing language and writing (Schulze 1994). Modern European languages, and Romanian is no exception, are to a large extent the product of these top-down centralized policies of standardization. 3

Ironically, both the Austro-Hungarian and the Ottoman Empires facilitated these homogenization policies by compromising with the movements for national independence (Djuvara 2012). In the case of the Romanian language, the Ottoman Empire, which was occupying the Balkans in the 19th century, allowed the Ministry of Culture in Bucharest to coordinate Romanian language school instruction throughout the entire region. Similarly, the Austro-Hungarian Empire allowed Transylvanian politicians to address the empire’s parliament in Romanian.

 Romanian liberalism today downplays the nationalist element, although it recognizes its historical role, and one of the main liberal parties is still called the National Liberal Party. The pro-European drive remains a salient feature of liberalism in Romania. In institutional terms this manifests in strong support for the European Union and NATO, which of course pose their own threats to classical liberal arrangements. In ideological terms, liberalism in Romania remains a center-right movement and tends toward free markets, anti-corruption, decentralization, and rule of law. It has a strong intellectual affinity to the center-right in the United States, even more so than to Western Europe; for example, the National Liberal Party often adopts culturally conservative stances, although other liberal parties, like the Save Romania Union, tend to be socially progressive.

In what follows, the article is structured according to the four main historical periods, delimited by the Treaty of Adrianopole in 1829, each of the two World Wars, and the fall of the communist regime in 1989. The four historical periods may be briefly described as follows:

1. *A century of institutional reformation (1829–1918).* At the beginning of the 19th century, Wallachian and Moldovan elites were shocked to discover the material and cultural gap between themselves and Western Europe. Their solution was to adopt

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3. Italian is a prominent exception. To this day, the Italian language is less homogenized than most European languages, partly because the Italian national state formed later.
as fast as possible institutions similar to those in the more developed part of the continent. According to them, the main obstacle to this was the strong dominance of the Ottoman Empire. Their political strategy involved taking advantage of the rivalry between European powers—spurring the internationalization of the ‘Danube problem’ and carefully choosing allies to protect any progress, and gradually moving toward independence from the Ottoman Empire. The last vestiges of medieval institutions such as serfdom and even slavery were formally abolished during this period and replaced by French (Swiss) Civil and Criminal codes, one of the most liberal constitutions at that time, and significant but uneven advances in most economic and social aspects. The major intellectual debates concerned the speed (but never the direction) of change, the difficult situation of the peasantry, political rights such as conditions of citizenship and moving from censitary to universal suffrage, and a gradual adoption of protectionist restrictions against entry of foreign capital, goods and people. Most institutional reforms during the 1829–1918 period were in broadly classical-liberal directions.

2. Interwar period: freedom losing ground (1919–1945). In this period Transylvania becomes part of Romania. We take the opportunity to provide a brief history of Transylvania, before resuming the story from 1919. After WWI, Romania doubled its geographic size and, against all odds, united all provinces, hence creating the modern Romanian national state. However, the human and material losses during the war, inefficient economic policies, and a worsening international environment made further economic and social improvements extremely difficult. Contrary to a widely believed myth or nostalgia, Romania was not only one of the least developed countries in Europe at the time, but the gap to Western Europe increased (Murgescu 2010). Romania succumbed to political instability, violence, royal authoritarianism, anti-Semitism, and military dictatorship. Romania entered WWII allied with Nazi Germany, and switched sides in 1944 as the victory of the Soviet Red Army became imminent.

3. Communism: social and economic transformations at any costs (1946–1989). After the Iron Curtain fell in the aftermath of the WWII, the Soviet-dominated Romania was attached to the Eastern Bloc. The new regime falsified elections and instituted a system of widespread political terror. The communist regime also instituted a system of forced industrialization. Armed resistance against the regime was defeated, and the collectivization of all farmland was completed by the mid-1960s. Worker uprisings in 1977 and 1987 lacked a strong ideological element and were appeased. Along the positive developments we can mention a decline in child mortality, a large expansion of literacy, and improved women’s rights. While economic growth was slower than in capitalist countries, it ended altogether around 1980. Inspired by a visit to North Korea, Ceausescu instituted a system of autarchy and even stricter political control, done under a smokescreen of ultra-nationalism.
4. After 1990: the road from serfdom. The fall of Ceaușescu in December 1989 came as a surprise. High-ranking communists with a vague record of dissidence were the fastest to organize and capture political power. This led to the erratic transition of the 1990s. Over the first five years, the former communists tried to manage the transition from large-scale failed communist industry by means of hyperinflation and the encouragement of early retirement (Tarko 2020). A center-right government was elected and instituted a ‘shock therapy’ type of reform in 1996–1997 involving large scale privatizations, elimination of all price controls including currency exchange controls, and other economic reforms, which made it impossible to reverse course. In 2000, the Social-Democratic Party, home to the former communists, returned to power, but rather than trying to turn back the market reforms or block Romania’s economic and political reconnection to the Western world, they continued the reforms and facilitated the constitutional changes required for entry to the European Union, such as independent judges. Over the past two decades Romania has been one of the fastest growing economies in Europe, but large geographical inequalities persist. Most of Romania still experiences some of the lowest incomes in Europe, while cities like the capital Bucharest have already converged to Western European standards of living.

The birth of modern Romania: A century of institutional reformation (1829–1918)

Serfdom was abolished de jure in 1746 in Wallachia, in 1749 in Moldova, and in 1785 in Transylvania, but it remained de facto in place, and its last vestiges were fully eliminated only by the mid-19th century. In the second half of the 19th century, economic changes in Romania (Wallachia and Moldova) also involved a French Revolution-style confiscation of all the land owned by the Orthodox Church, which was the largest landowner. How was such a move politically possible? The change was accompanied by a government commitment to pay priests wages in perpetuity, essentially turning all Orthodox priests into state employees. The Cuza regime thereby offered individual priests greater financial security than they were experiencing under Church governance and,
hence, made it very difficult for the higher ranking Church authorities to oppose the nationalization. The Orthodox Church in Wallachia had also opposed the 1848 Revolution and helped the Ottoman authorities defeat it, which later made it easier for Cuza to confiscate their properties and enact land reform.

Over 1.6 million hectares were initially distributed to more than 400,000 families of freed peasants, but the imposition of a very large land tax quickly led to the consolidation of the land into large properties. The switch from the feudal land ownership to large agro-businesses led to substantial increases in productivity and, by the first half of the 20th century, Romania had become one of the largest European agricultural producers. Furthermore, Romania was the first country to extract oil commercially (two years before the United States) and it was an important oil producer until the mid-20th century when the oil reserves were depleted. Growth rates were about three percent until WWI (see Figure 1 and Table 1).

**Figure 1.** Romania’s real GDP per capita, pre–WWII

![Figure 1](image)

*Source:* Maddison Project.

**TABLE 1.** Average yearly real-income growth rates in Romania

<table>
<thead>
<tr>
<th>Period</th>
<th>Years</th>
<th>Income (2011 U.S.$)</th>
<th>Growth (yearly average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>pre-WWI</td>
<td>1875–1910</td>
<td>min = 427, max = 784</td>
<td>2.9%</td>
</tr>
<tr>
<td>inter-war</td>
<td>1920–1944</td>
<td>min = 504, max = 746</td>
<td>1.1%</td>
</tr>
<tr>
<td>communism</td>
<td>1950–1990</td>
<td>min = 824, max = 6400</td>
<td>4.8%</td>
</tr>
<tr>
<td>transition</td>
<td>1990–2000</td>
<td>min = 4818, max = 6613</td>
<td>1.3%</td>
</tr>
<tr>
<td>capitalism</td>
<td>2000–2018</td>
<td>min = 7089, max = 20126</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

*Source:* Maddison Project, authors’ calculations. *Note:* Data for the communist period must be interpreted with caution, as GDP is not a very meaningful measure under non-market systems.
The unification of Wallachia and Moldova was far from uneventful as many Moldovan elites resented their loss of influence and power. Prior to unification, the key intellectual centers of Romanian life were in Moldova, in cities like Iasi, still the second largest city in Romania. The success of Alexander Ioan Cuza (1820–1873 and holding political power 1859–1866) as the key Romanian liberal reformer and modernizer is undoubtedly partly due to his ruthlessness as a politician. To consolidate the newly unified state, Cuza co-opted Wallachian elites to undermine the Moldovan elites (although he was originally an 1848 revolutionary in Moldova), and his regime brutally quashed any opposition to unification. To this day Moldova has not regained its former cultural prominence and remains the poorest part of Romania.

Romanian 19th-century liberalization can be seen as an example of revolutionary economic and political change achieved by undermining and displacing old elites by a combination of bribery and violence. Importantly, the intellectual battle for individual liberty was also different in Moldova and Wallachia (and later Romania) compared to Transylvania. Because inter-ethnic problems were smaller, the new Romanian state was perceived less as an enemy and more of a tool to be used to accelerate modernization.

The Romanian constitution of 1866 was closely inspired by the Belgian constitution of 1831, which was one of the most liberal constitutions of the time. It guaranteed freedom of conscience, expression, press and assembly. The censitary (or property-qualified) vote was changed to a universal and equal vote for men in 1919 and extended to women in 1938 (Focșăneanu 1991; Carp et al. 2002).

The drive to modernize Romania and re-orient it toward the West also involved an anti-Orthodox element. Following the fall of Constantinople in 1453, the center of Eastern Christianity moved to Russia. The occupation of Greece by the Ottoman Empire further consolidated the position of the Russian Orthodox Church as the center of Orthodoxy worldwide. The Orthodox Church in the Romanian states has had, and continues to have, a natural connection to the Russian Orthodox Church and, as such, its interests have often been contrary to Westernization. As already mentioned, Cuza’s reforms had a strong anti-clerical flavor. In recent years, the Romanian Orthodox Church has opposed various social liberties, like gay rights, and it has attempted to undermine religious freedom and consolidate a privileged relation between the state and the Orthodox Church. This being said, we shouldn’t exaggerate the pro-Russian bias of the Orthodox Church. For example, in the ongoing war between Ukraine and Russia, the Romanian Orthodox Church has been strongly in favor of Ukraine, which is also a primarily Orthodox country.

For many centuries, all civil law in Moldova and Wallachia was governed by the Orthodox Church. Indeed, most of the information we now have about the
life of regular people up to the 19th century is due to the extensive records kept by the Church about marriages, divorces, and various disputes. Furthermore, unlike Austria and Hungary, which established universities early on, all intellectual life in Moldova and Wallachia had been essentially confined to Orthodox monasteries.

Among the other revolutionary changes enacted by the Cuza regime was the adoption of a new Criminal Code and Civil Code in 1865, based on the Napoleonic code, and the creation of new universities in Iasi (1860) and Bucharest (1864). This code is one of the few institutions to survive almost unchanged even during communism. It was replaced by a new code in 2011, with changes inspired by Swiss, Italian, Dutch, and Quebecois rules, and for the purpose of better ‘harmonization’ with the European Union.

Wallachian elites kicked Cuza out in 1866, when they thought he was amassing too much power and becoming something of a dictator. Another reason was that he was initially elected for a limited term of seven years. In 1866 a German prince, Karl von Hohenzollern, was brought in instead, establishing Romania as a constitutional monarchy. This was a way to establish the country’s legitimacy and facilitate recognition in Europe. Under the name of Carol I, he further westernized Bucharest, erasing most of the leftovers of the cultural influence of the Ottoman Empire. All this was made possible thanks to an almost half century of continuity: Carol I had the longest reign in all Romanian history, from 1866 to 1914.

Some of the most influential early intellectual figures of Romanian national liberalism were from Transylvania. Their models for intellectual life were the European universities and they desired to reorient Romanian culture toward the West, particularly France. One of the most important tenets of the new movement, controversial at the time, was the claim that the Romanian language was a Latin language, and the movement successfully advocated in favor of the switch from the Cyrillic to the Latin alphabet and the integration of Romania into the Francophone universe. Magyar, Szeklers, and Saxon students in theology, philology, and law also played an important part in spreading liberal ideas to Transylvania, bringing ideas like natural rights from Protestant universities in Germany or Holland and from Catholic universities in Austria. Last but not least, private clubs and even casinos also promoted bourgeois values as places where new, fashionable ideas could be spread in informal ways (Turczinski 2000/1985).

Romanian reformists were aware of the lag in development of economic and political freedom and they supported importing ideas and institutions from

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4. The Romanian language is very similar to Italian, but it has a large body of Slavic, Turkish, and Hungarian influences. For example, it makes ample use of the Slavic soft ă, which has no representation in the Latin script but does in Cyrillic.

5. We are grateful to Cristinel Trandafir for this reference.
Western Europe (mostly from France). Jean-Baptiste Say’s *Treatise on Political Economy* was the most influential economic text. Beside him, we can mention Montesquieu, Frédéric Bastiat, and François Guizot, read directly in French by the Romanian educated elite. An important conservative counter-reaction to these changes, led by Titu Maiorescu (politician and literary critic) and Mihai Eminescu (Romania’s most well-known poet), claimed that these changes were mostly ‘forms without substance.’ Among their key targets were the newly formed universities, which, they claimed, lacked competent personnel. However, even these conservatives claimed to be favorable to modernization, but were worried about importing foreign institutions that did not mesh well with traditional Romanian culture.

For historical reasons, Moldova and Wallachia’s foreign trade was, up to 1878, under the control of the Ottoman Empire, with variable degrees of enforcement. Foreign free trade was an objective shared by most of political leaders of the 1848 Revolution, which was present in the Adrianopole (1829) and Paris (1856) Treaties concerning Romanian provinces, but the support for free trade was fading, as opposition to imports and foreign direct investments grew along with a development of the local industry. A major turning point was the Trade Convention with Austria-Hungary in 1875. This ten-year ‘free-trade’ agreement was defended on classical-liberal economic grounds by some Romanian economists, but the major argument was political: it represented an open challenge to the Ottoman suzerainty, two years before the official proclamation of independence and three years before its formal international recognition. The public perception was that Austria-Hungary took advantage of the agreement and applied it in bad faith. For example, Romanian cattle exports were blocked for sanitary reasons. Romanian historiography was focused more on the losers from the new patterns of specialization and trade and underestimated the benefits. The Convention was not prolonged by Romanian authorities and a ‘trade war’ followed, with significant disturbances in Romania and in Transylvania (part of the Austria-Hungary empire at that time). Following 1880, Romania saw growing economic connections with Prussia, including growing capital investments. This might also explain the growing intellectual interest among the Romanian elites for German culture, and the gradual retreat from Franco-British classical liberal ideas.

The adoption of Western European institutions was the shortcut of choice in the fields of money and banking as well. In Transylvania, along with some ‘free cities,’ the princes used their right of coinage. Transylvania was fully integrated in Hungarian and Austrian monetary systems until 1918.

With the increase of Ottoman dominance, Wallachia and Moldova lost their right of coinage during medieval times. Since then, a wide variety of coins were

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6. The evolution of financial and monetary institutions would require probably at least a full article.
in circulation. In order to reduce transaction costs and to cope with monetary instability, one specific coin was used as unit of account: the “Leeuwen Thaler” (“Lion Taler”), a silver coin from the Netherlands that kept its weight and purity for a long time and circulated in the Romanian provinces from the 16th to 18th centuries. All prices and exchange rates were denominated in this currency, named “leu”—lion in Romanian (Kirițescu 1982, 201). This practice continued even after the Leeuven Thaler disappeared from circulation, and the name persisted through centuries. The creation of a national currency and a national bank were aims of the 1848 Revolution. Because of opposition, mostly from the Ottoman and Austrian empires, the national currency was established only in 1867 and the National Bank of Romania in 1880 (Băicoianu 1932, 3–95). The Bank was created as a stock company, with one-third of the capital subscribed by the Romanian state and two-thirds by the public. Its creation was a long-term and collective effort but two individuals deserve a special mention: Ion C. Brătianu, the leader of the National Liberal Party, and Eugen Carada, a person who disliked publicity so much that had to be asked repeatedly by the shareholders to become the director of the bank. However, after he accepted, his commitment lasted a quarter of century (BNR 2013, 8–23; Murgescu 1987, 170–176).

The national monetary and a banking system was modeled after the French system. The monetary system that was instituted was identical to the bimetallist French franc and the system persisted until WWI. However, they were not able to impose the name “romanat” because “leu” was too deeply rooted in economic practice and common language (Zane 1980, 48–51, 231–265, 275). The oldest Romanian bank still in existence was founded in 1864 under the same name as its French model: Casa de Depuneri și Consemnațiuni (Caisse de Dépôts et Consignations).

According to Costin Murgescu (1987), the most active defenders of classical-liberal ideas in the 19th century were Nicolae Sufu, Constantin Alexandru Rosetti, Enrich Winterhalder, Ion Ghica, and Ion C. Brătianu. We must add Ion Strat to this heterogeneous list. Their reform proposals were rather selective as well as variable through time. For example, some, usually landowners interested in free export of agricultural products and import of manufactured consumption and capital goods, actively defended free trade. Others were more interested in individual rights and entrepreneurship without barriers—but not necessarily without government subsidies and protection. For these reasons, Eugen Demetrescu (2005/1935) provides a more restrictive list of Romanian classical

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7. This is a very informative book on economic ideas and policies on Romanian territories, with surprisingly few (explicit) Marxist influences, considering when it was initially published. However, the tone is openly favorable to interventionist and protectionist authors, arguments, and policies.
liberals, which excludes Rosetti and Brătianu but includes A. D. Moruzi.

**Alexandru Dumitru Moruzi** (1815–1878) was the grandson of a Prince of Moldova Alexandru D. Moruzi (also spelled Moruzzi or Mourousi). His family supplied many princes of Moldova and Wallachia. He was, however, actively involved in the 1848 revolution in Moldova. Following the defeat of the movement, he was condemned to exile. The Treaty of Paris in 1856 represented a chance for liberalization in Romanian provinces and he returned and contributed to this process, and to their political union in 1859. As a member of the commission for harmonizing Moldovan and Wallachian legislation he defended the principle of free trade between the two provinces. He published, in French, some of the earliest economic papers and books for the local educated public.

**Nicolae Sutu** (1798–1871) was the son of the last Phanariote prince of Wallachia, and there were two other princes among his ancestors. The Phanariotes were foreign administrators, Greeks originally from the Phanar quarter in Istanbul, brought in by the Ottoman Empire. They were often Western educated merchants. Sutu became Romanian by choice and dedicated his life to modernizing Moldova and, after 1859, Romania. He was the first Romanian economist who promoted the classical liberal ideas of Adam Smith, David Ricardo, and Jean-Baptiste Say—his favorite—to the Romanian public (Murgescu 1987, 182). Sutu also published five editions of the first comprehensive statistical studies of Moldova (*Notions statistiques sur la Moldavie*, 1832, 1840, 1849, 1850, 1852). Furthermore, he had a career of three decades as a civil servant, being member of parliament, minister, and serving in various administrative and judiciary functions. He was arguably the least revolutionary among the aforementioned reformists. He considered that evolution, even stimulated by ‘imported’ institutions, is preferable to radical changes. He was a member of the commission that elaborated the Organic Regulation, a quasi-constitution of Western influence, imposed by the Russian Empire on Moldova and Wallachia between 1831 and 1854. He also worked on the committee tasked to harmonize Wallachian and Moldavian laws and regulations between 1859 and 1862.
After a brief military career, **Constantin Alexandru Rosetti** (1816–1885) oscillated between high-rank civil service and revolutionary activities. He organized several conspiracies against the prince or government he had previously supported; each time he saw them as abandoning ideals of freedom and democracy. As a journalist and entrepreneur, he used his publishing house and journal to promote his ideas. He even initiated a tax strike, with financial consequences for himself. In his private journal, he appears more concerned with political freedoms and action (Rosetti 1974/1902). He defended the idea of redistribution of land towards former serfs, but not by force and not without compensation. According to Murgescu (1987, 160, our translation), “Rosseti’s ideological platform, promoted by his newspaper *The Romanian*, has always been the promotion of freedom and property. The freedom of citizens all the way to anarchy, freedom of the press as far as instigating popular revolt, respect for property, including that of boyars.”

Austrian by birth, **Enrich Winterhalder** (1808–1899) joined the Wallachian army in 1829 but abandoned it for a cultural career four years later. He associated with Rosetti to promote classical-liberal ideas to the public through a publishing house and journal (Slăvescu 2002). According to Murgescu (1987, 169, our translation), “Winterhalder’s solutions are the same as those of all the other laissez-faire liberals from that time, but maybe no one expressed them with more clarity and precision, and no one fought protectionists with more style and elegance.”

**George Barițiu** (1818–1893) was the Transylvanian equivalent of C. A. Rosetti. A journalist who founded at least five publications, he defended all his life the freedom of the press in times of censorship—and defended himself, successfully, in three trials. Barițiu was also an entrepreneur who founded a printing press and a paper factory. Barițiu was ideologically involved in revolutionary activities in 1848–1849. He agreed with the liberal ideals of the Hungarian revolutionaries and promoted the cooperation of Romanians with them until he realized that the former did not share his ideal of universal equal rights, even for ethnic minorities. He progressively abandoned his early pacifism to the
point of recommending his co-nationals join the regular army or learn how to use weapons for self-defense. In all his writings, Barițiu made a clear distinction between Hungarian people and their leaders, always warning against the dangers of xenophobia, as well as between the church and the state. His tone was openly anti-clerical, contesting the claims of the Orthodox and Greek-Catholic churches to be spiritual and political leaders of Romanians in Transylvania.

In the first part of Barițiu’s career, he was a partisan of free trade, but around 1876 he became a defender of protectionist policies. The economic themes of the publications he managed included practical advice on personal finance and business management and advocacy of economic policies, typically in favor of industry, commerce, banking, and the adoption of modern technologies, especially the railways, as early as the 1840s (Barițiu 1847). His intellectual activities including contributions to history and linguistics ensured him a place among the founders of the Romanian Academy, and later one as its president. His political positions made him one of the most respected members of his community, which he represented in local and Imperial parliaments and as the president of the Romanian National Party.

Ion Ghica (1816–1897) had a complicated life that we cannot possibly hope to do justice here. He was a participant in the 1848 Revolution in Wallachia, which was defeated by the Ottoman Empire. Later he was a governor of Samos Island on behalf of the same empire, which rewarded him with the title of Prince (Bey) for defeating the pirates in the region. He was prime minister five times, member of Parliament, diplomatic envoy under all political regimes, a respected writer and member of the Romanian Academy, etc. He was also—in both his writings and, with a few exceptions, in his political actions—one of the strongest supporters of classical liberal ideas: respect of property rights, abolition of slavery and serfdom, free competition, and free trade (Ghica 2017). He freed serfs and slaves inherited from his father. In 1841, after four years as a student in France, he returned to Moldova and promoted the idea of a custom union between Moldova and Wallachia as an economic step preceding a political union. His 1843 lecture On the Importance of Political Economy at Academia Mihăileană in Iasi, Moldova, is considered the beginning of official economics teaching in Romanian principalities.
After his graduation with a Ph.D. from the University of Berlin, Ion Strat (1836–1879) was appointed as the first professor of political economy at Iasi University. He authored a *Complete Treatise of Political Economy*, heavily inspired by the work of Jean-Baptiste Say and Frédéric Bastiat (Strat 1870). He maintained his views as minister of finance and diplomat, and he negotiated and defended the unpopular quasi-free trade agreement with Austria-Hungary between 1875 and 1886.

While 19th-century Romanian liberals were enthusiastic supporters of importing foreign ideas, they were less willing to accept foreign competition in the economic field. With few exceptions, liberals and conservatives were progressively seduced by the arguments developed by Friedrich List, opposing free trade and the competition of foreign investors. This trend was already dominant in 1875, when the National Liberal Party was created. Since its founding president, Ion C. Brătianu, the party supported a mix of protectionist policies, which expanded during the interwar period.

**The interwar period: Freedom losing ground in Greater Romania**

Despite being ruled by a family of German origins, Romania remained neutral at the beginning of WWI and had no qualms in joining a war against Germany in August 1916 as an opportunity to expand into Transylvania. Historically, Transylvania had always had a large ethnic Romanian population, mostly peasant serfs, while the ruling aristocracy was primarily Hungarian. Using the rationale of the nation-state, a case could thus be made that Transylvania should be unified with Romania. This was achieved under the reign from 1914 to 1927 of the new king, Ferdinand I, following the defeat of Hungary in WWI. Initially, Romania’s attempt to conquer Transylvania badly backfired. When Russia retreated from the war as a result of the Bolshevik Revolution, Romania ended up almost entirely occupied by the Central Powers forces. When, in turn, the Central Powers were defeated from the west, the Trianon Treaty forced Hungary to accept the loss of Transylvania. The Russian Revolution also led to part of what is now the Republic of Moldova taking the opportunity to join Romania. This move was short
lived, as the USSR soon took the land back, as a consequence of the Hitler-Stalin Pact of 1939.\(^8\) Recapturing this land was a key rationale for Romania allying with Nazi Germany in 1940.\(^9\)

The situation of Romanians in Transylvania had long been difficult. The Unio Trium Natiorum pact of 1438 was an agreement between the three privileged ‘nations’ of Transylvania, which represented also the estates of Transylvania: aristocracy (mostly Hungarians), the bourgeois of the free cities (Saxons, i.e., Germans), and free people with military obligations (mostly Szeklers settled in the eastern regions). It was signed under the name of Fraterna Unia, after the defeat of an insurrection of serfs. According to this document, Romanians were a “tolerated nation” and they were maintained officially under this statute until Emperor Joseph II abolished serfdom in 1781.

In 1568, the Edict of Torda granted freedom for some religions in Transylvania, three decades before the Edict of Nantes did the same for France and eight decades before the Peace of Westphalia achieved it at the European level. The striking exception was the Orthodox Church, the confession adopted by most Romanians. In search of religious and civil emancipation, the Metropolitan of Orthodox Church entered into full communion with the See of Rome in 1698. This resulted in the emergence of the Greek-Catholic confession in Transylvania. Habsburg Emperor Leopold I granted this confession the same status as the other four privileged religions. His obvious intention was to counter the Protestant confession by attracting Romanians to Catholicism. Some Romanians accepted the “Act of Union” but others remained Orthodox.

The 1848 Revolution in Transylvania started with a solid classical-liberal program, like in the other provinces of the Habsburg Empire, but was undermined by inter-ethnic conflicts. Each ethnic group fought for its own political and economic freedoms, but which would not necessarily be extended to all communities. The result was a ferocious civil war between Hungarians, who

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\(^8\) See point 3 of the Secret Supplementary Protocols of the Molotov-Ribbentrop Non-Aggression Pact, 1939, archived at the Wilson Center ([link]).

\(^9\) The Republic of Moldova has the same name as a region of Romania. From medieval times (fourteenth century) the two places were one state, until 1812 when Russia occupied half of it. The language of the Republic of Moldova is a slightly older form of Romanian with regional particularities. Today, for all the regions of Romania, there are regional particularities but the language is easily understood across all speakers. During the communist regime, USSR rulers put in place an iron curtain between Romania and Soviet Socialist Republic of Moldova as part of an explicit policy of cutting cultural and physical ties between them. For decades, the official USSR policy was that Moldovans are a different nation than Romanians and spoke a different language. This idea continued to be promoted by the nostalgia of the USSR and by the Russian state. The official position of the Academy of Sciences of Republic of Moldova is that the Moldavian language is identical with the Romanian language. Romania was the first state to recognize the Republic of Moldova after it proclaimed its independence from the USSR. These two so-called ‘sister countries’ have no territorial claims on each other.
wanted Transylvania to be included in Hungary, and Romanians, who wanted autonomy and equal rights. The reciprocal concessions of their leaders Lajos Kossuth and Avram Iancu came too late to prevent the Habsburg Empire from taking back control of the province in 1849. Habsburg’s policy changed after their military defeats from France in 1859 and Prussia in 1866. At first, Romanians obtained formally equal rights and political representation in a quasi-autonomous Transylvania, but only until 1867, when the province was integrated in Hungary, along with Croatia and Slovakia.

Over the next several decades various liberal moderates proposed Switzerland as a model for solving nationalistic conflicts. Wesselényi Miklós (1843), a Hungarian born in Transylvania, was among the first to propose the federalization of the empire. Moreover, he defended the idea of equal rights for all citizens and minorities and he even liberated his serfs and gave them property rights on land (Benedek 2018). Similarly, George Barițiu in 1846 argued for a Transylvanian federation of four nations with equal rights. These were early examples of what is now called “panarchy” (Tucker and de Bellis 2016), i.e., of multiple governments overlapping on the same territory, analogous to how different churches operate. Aurel Popovici (1906), a Romanian from Banat, a region to the southwest of Transylvania, managed to reach the heir of the imperial throne with a similar proposal for a “United States of Greater Austria,” but Archduke Franz Ferdinand was soon killed and WWI started. Some have speculated that the Archduke might have moved the Habsburg Empire in such a liberal direction. Oszkár Jászi (1924), a Hungarian Jew born in Transylvania who became Hungary’s Minister of Nationalities during the liberal Károlyi government, proposed a Danube Confederation with ethnic autonomy for all nationalities (Bene 2012). But this was in 1919, a couple of decades too late or many more too early, and soon before the takeover by Béla Kun’s communist government.

Obviously, not everyone shared such ideals. Soon after the Second Balkan War ended in 1913, in which the rest of the Balkans gained independence from the Ottoman Empire, Romania’s King Carol I decided to conquer a small part of Bulgaria under the pretext of the ethnically Romanian population present there. This led to the abolition of all Romanian language schools throughout the Balkans, which had previously thrived under Ottoman rule. To the present day, minority rights in the Balkans, particularly in Greece, remain severely curtailed, partly as a result of the pervasive ill will created by such expansionist moves in the name of nationalism, and of the long history of inter-ethnic conflicts. Romanian minorities throughout the Balkans have been greatly reduced in numbers and continue to lack access to Romanian language schools.

Romania doubled in geographic size from 1914 to 1920 and the interwar period saw the country become a regional power, both economically and politically.
Bulgaria was not the only country that got invaded. Following the creation of the first communist regime in Hungary in 1919 and after four months of ‘Red Terror,’ Romania successfully invaded and occupied Hungary, deposing the communist leader Béla Kun. In coordination with Lenin and Trotsky, Kun previously tried to re-occupy Transylvania. Red Army advances from the North were stopped by Ukrainian forces and Romanian army pushed back Hungarian troops in the West. Romanian authorities installed into power Admiral Miklós Horthy, elected regent of Hungary by the Hungarian Parliament. Ironically, he immediately started a nationalist and revisionist policy, becoming a fascist dictator and a close ally of National-Socialist Germany, which helped him to reoccupy in 1940 the northern part of Transylvania. Retrospectively, the episode could be interpreted as an early example of the Cold War logic in which an anti-communist power, here Romania, supported and installed an anti-communist dictatorship in an effort to stem the advance of communism.

The formation of the unified Greater Romania naturally led to a debate concerning the degree of autonomy for the three historical provinces. This debate was won by National Liberal Party which favored centralization, following the idea that the state should be used as a tool for modernization. Despite its name, the National Liberal Party was mostly a mercantilist/corporatist party rather than a classically liberal party. It favored not only centralization but also protectionism. The other political force (the National Peasants’ Party, considered to be center-left) was more favorable to free trade but took power during the Great Depression. The most respected and renowned Romanian economists, Virgil Madgearu and Mihail Manoilescu, were close to this party and they tended to favor free trade, but they also ended up developing arguments in favor of protectionism and state intervention in the economy.

The weak position of classical liberalism in the interwar period is illustrated by two other major intellectuals: Eugen Lovinescu and Ștefan Zeletin. If we extend the list to include less famous classical liberal authors it will still be rather short. One of those intellectuals was Dumitru Draghicescu, a national-liberal sociologist and a strong critic, alongside Lovinescu, of the ‘forms without substance’ conservative position.

Emanuel Neuman (1911–1995) was another classical liberal of the interwar period, with a rather limited impact on the public debate in Romania. However, his 1937 Ph.D. thesis in constitutional law, *The Limits of State Power*, represents a coherent argumentation for limited government. He was the mentor of Nicolae Steinhardt, a future opponent of fascist and communist dictatorships.

defends the principles of classical liberalism. In a work co-authored with Emanuel Neuman published in French the following year, they conclude that “the Jewish problem cannot exist in a normal economic regime,” but only in one dominated by the tyranny of the state (Steinhardt and Neuman 1937; see also Bădiliță 2002). Steinhardt was later deemed an ‘enemy of the people’ during communism and was imprisoned from 1960 to 1964 after refusing to bear witness against his friend Constantin Noica. He was baptised as Christian Orthodox in prison in 1960 and became a monk after 1980. He continued to write after his release from prison in 1964. His most well-known work is The Diary of Happiness, a journal about how to preserve one’s personal strength in the face of extraordinary oppression, and it is regarded as a major anti-communist work. The communist authorities confiscated the first version of the book in 1972 and the second version in 1983. (We give more details about Steinhardt below.)

Eugen Lovinescu (1881–1943) was a writer and literary critic. In his History of Modern Romanian Civilization and History of Contemporary Romanian Literature, he argued in favor of the “synchronism” of Romanian culture with Western culture. He was a strong critic of the dominant conservative view in intellectual circles at that time and argued instead that liberal ideas and institutions should not be considered foreign imports unlikely to fit local culture, but rather the normal methods for catching up with more advanced countries. In this approach, he was against extreme right-wing traditionalists and, implicitly, against the communist visions on this topic. He died in 1943, hence escaping communist persecution. However, his library was burned, his wife arrested, and his house confiscated and given to the General Attorney, who used it for decades. The house was returned to the family only in 2001.

10. We are indebted to Vladimir Topan for comments and references concerning the work of both Neuman and Steinhardt. His working paper (Topan 2014) is a useful overview of Neuman, who is unjustly neglected, and it includes a list of Neuman’s publications.
Ștefan Zeletin (1882–1934) was a philosopher, sociologist and economist. Although he was not a member of the National Liberal Party (but of a competing party), he is often considered one of the main national-liberal thinkers of the interwar period. He argued that capitalist institutions had a natural, even deterministic evolution in Romania, especially after the Adrianopole Treaty of 1829. He argued that the “foreign bourgeoisie” began the process of capital accumulation, followed by the development of a “national bourgeoisie” which in his view was meant to assimilate the foreign one (Zeletin 1925). While admitting its limits and failures, he considered the bourgeoisie to be the only progressive class and as such it had the right or even the obligation to organize the rules of the game in its own favor. In his view this justified the nationalization of the oil and mineral rights, the protection of the national bourgeoisie against foreign capital, and the forms of state interventionism dubbed neoliberalism (Zeletin 1927). However, he conceded that at that time the need for capital could not be fulfilled exclusively by the “national bourgeoisie.”

In the inter-war period, economic crisis, poverty and corruption scandals fueled extremist political parties. The Communist Party of Romania remained marginal, with only a couple hundred members, and was outlawed in 1924 because of its ties to the USSR. The Iron Guard was more successful, presenting itself as a new, young, pure political force, with a platform combining ultranationalism, Christian-orthodox fundamentalism, and antisemitism. All the political agitation came to an end in 1938 when King Carol II created a new single party: the Front of National Rebirth. Royal dictatorship ended when the king was deposed in 1940, just to be followed by a military dictatorship between 1940 and 1944. King Carol II’s formal successor was his 19-year-old son Michael I, but he had no formal role or real power. However, on August, 23, 1944, as commander in chief, he arrested the head of the government Marshall Antonescu, ordered the Romanian army to cease fire against the USSR, and asked the German Army to leave the country.

Romania was one of the last countries in central and eastern Europe to adopt full-blown fascism. But once fascism came to power in Romania, it was among the most brutal regimes in Europe. Between 1937 and 1944 the Romanian government killed between 280,000 and 380,000 Jews and about 11,000 Roma. According to

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11. The Iron Guard was founded as the Archangel Michael Legion and, because it was outlawed, changed its name first to Everything for the Country and later to the Iron Guard.
R. J. Rummel (1997, Table 1.3), Romanian fascism was the 12th deadliest regime in the 20th century in per capita terms—more lethal than North Korea, and more lethal than the Romanian communist regime that followed it. The fascist regime killed almost half a million people in total out of a population of 16 million.

Romanian fascism also differed from the other European fascist movements in that it was an explicitly theocratic movement. We can see Romanian fascism as a reaction both to capitalism and to the anti-clerical nature of the Cuza-style liberal revolution, and as an attempt to bring back the influence of the Orthodox Church, including erasing the separation between church and state. Some of the key and most influential intellectual figures of Romanian fascism, like Nae Ionescu, argued that one cannot be ethnically Romanian without also being Orthodox.

By 1920 the political success of Romanian nationalism was beyond all expectations but, economically, the gains were captured only by a small elite. Most of the population remained near subsistence level at about $2 per day (see Figure 1). The inter-war period also saw meager growth after the recovery from the WWI destruction, partly due to the Great Depression (Figure 1 and Table 1). The National Liberal Party had always been only halfheartedly pro-liberty, generally supporting protectionism and crony capitalism, and its adhesion to democracy was also not particularly reliable. This was a fertile ground for the growth of a traditionalist, pro-rural, and anti-liberal movement. The main competition for the National Liberal Party was the National Peasants’ Party, but both parties were eventually sidelined by the fascist movement, partly thanks to the machinations of the increasingly authoritarian King Carol II. Many of the most prominent intellectuals also joined the fascist movement, while the few classical liberals had little impact on policy.

As in other cultures, Romanian literature is not particularly free-market oriented or pro-capitalism. In a preliminary search, we identified only two minor works that could fit without reserves in this category (Nechita 2018). However, more authors and some of their publications could be considered as favourable to individual rights and to economic development or at least not openly hostile to them.

How did Romanian intellectuals react to totalitarian ideas and dictatorships? Many failed, being seduced by the nationalist, xenophobic message of the Iron Guard. Some of the most prominent Romanian expats, like Emil Cioran and Mircea Eliade, had been fully on board with the fascist movement. Cioran later regretted his choices and when his works were reprinted in Romania after 1990 he removed the most blatantly antisemitic passages. Eliade, by contrast, never backed down and even in his journals published in the 1980s he expressed pride in having written a fawning biography of Portuguese dictator António de Oliveira Salazar. According to Eliade’s later assessment, fascism or communism were widely
perceived as the only choices available in the inter-war period, as the Great Depression had shown the failure of liberal capitalism. On the other side of the political spectrum, Tristan Tzara continued his support for the Stalinist USSR even after the invasion of Hungary, which was a watershed moment for most other socialists in the surrealist movement. The most prominent Romanian expats who were never either communist or fascist were Eugen Ionesco and Constantin Brancusi. Ionesco caused a huge stir before leaving Romania with a book of literary criticism titled *No*, published in 1934, in which he ridiculed virtually all the main figures of Romanian culture, including many of his contemporaries.

**Communism: Political, social and economic transformation at any costs**

When communists[^12] took power, following the defeat of Romania by the Soviet Union in WWII, the United States recognized only Iuliu Maniu, the leader of the National Peasants’ Party, as a principled defender of democracy. Communist authorities imprisoned and killed almost the entire Romanian intellectual class, with the notable exception of the few who escaped to Western Europe or the United States. Some of these exiled intellectuals exerted some influence once Radio Free Europe was established and later after the fall of communism. For example, Ion Rațiu, the first leader of the post-1990 Christian Democrat National Peasants’ Party, and Radu Cămpeanu, the first leader of the post-1990 National Liberal Party, were both among the returned exiles (Câmpeanu had also been leader of the National Liberal student organization in the inter-war period). The Communist Party, backed by the Red Army, forced King Michael to abdicate at the end of 1947. The People’s Republic of Romania was proclaimed next year, followed by nationalization of industry, the financial sector, and of commerce in general. Agriculture collectivization started in 1949 but was not finished until 1962 because of peasants’ staunch opposition. Following land reforms by Cuza (1864), Ferdinand (1921), and Michael (1946), farmers had developed a very strong affective attachment to the idea of private property, a subject for several classic Romanian novels from early 20th century and which took decades of communism to destroy.

[^12]: The initial name of their organization was the Communist Party in Romania—and it was a source of jokes—“in Romania,” but not Romanian—because of the Party’s total subordination to USSR. Indeed, since its foundation in 1921, it was a Cominform subsidiary. It was renamed to Romanian Workers’ Party in 1948, after the absorption of the Romanian Social-Democrat Party. In 1965, after the change in leadership, it adopted the name Romanian Communist Party.
Tens of autonomous groups with various political affiliations, along with former military personnel, organized and carried on an armed resistance, ‘waiting for the Americans.’ The regime was not able to eliminate most of them until 1958. Some individual members managed to hide until the 1970s. After the failure of the Hungarian uprising in 1956, it became obvious that internal anti-communist resistance was on its own. This was confirmed again in 1968 when the free world had no significant reaction when Czechoslovakia’s liberalization attempts were brutally stopped by the Soviet invasion.

The magnitude and the violence of the communist repression in Romania was so wide and effective that the USSR decided to withdraw the Red Army from Romania in 1958. In its most brutal and obvious forms, the repression consisted in killing the members of the anti-communist resistance, executions with or without ‘trials,’ and life or decades-long sentences to forced labor in extermination camps for any opposition or non-cooperative attitude. Conservative estimates covering the period 1948–1989 are that 150,000 to 200,000 were killed. Further, an estimated 30,000 peasants were killed because they resisted collectivization. Estimates of the total population with political condemnations—prison, deportations, and forced domicile—are between 1.5 million and 3 million. A specific category is represented by the expropriations (of farms, land, animals, equipment) without compensation and deportations of the chiaburi (a Romanian equivalent of kulak, any farmer with more than 5 hectares of land) and moșierî (rich landlords, already expropriated in 1945 for all land held above 50 hectares). In just one night, June 18, 1951, 45,000 persons were dispossessed from their properties with only the belongings they could take with themselves and were made to disembark 600 kilometers away, in the middle of empty fields, where they had to build shelters basically with their bare hands (Tismăneanu 2007, 157–160, 197–224).

In 1964, feeling strong enough and looking for internal and external respectability, communist leadership under Gheorghe Gheorghiu-Dej changed strategy. The leadership proclaimed a general amnesty for political crimes, started a more and more nationalistic discourse and liberalized slightly some political, social and economic aspects of common people’s lives. Nicolae Ceaușescu captured all the benefits of the new trend when he took power in 1965. He attained the pinnacle of his popularity in August 1968, when he publicly condemned and refused to take part in the invasion of Czechoslovakia by Warsaw Pact troops.

**Economic, health, and educational developments**

As mentioned, communism nationalized all land, leading to poor agricultural productivity, and created massive misallocations of capital and labor, which in turn led to significant problems during the post-communist transition period (Tarko
Cereal yield stagnated to around 3000 kg/ha from 1975 to 2012 (by comparison, cereal yield in France was about 4000 kg/ha in late 1970s and over 7000 kg/ha in 2010). Modern agriculture came to Romania only after 2010, when productivity doubled to about 6000 kg/ha, while agricultural land actually diminished. Similarly, the communist regime decided to make massive investments in coal production, despite Romania not having quality coal reserves, which led to significant social problems after 1990.

This being said, compared to the inter-war period, the life of the average person improved in many important ways during the communist period, especially in terms of healthcare and education. The real GDP per capita data shows marked improvement (Figure 2, Table 1), although accurately measuring GDP in a communist state is a very dubious matter (Higgs 1992; 1999). Nonetheless, various indicators are consistent with the account of an economy that grew, at least up until the 1980s. For example, infant mortality (deaths under 1 years old) declined from about 1 in 5 births in 1930s, to less than 1 in 20 by 1965, and to about 3 percent in 1988 (Figure 3). In the mid-1960s the communist regime decided to ban abortion, which led to a temporary spike in infant mortality (Figure 3). It fell to about 1 percent by 2010, and to about 0.5 percent today (which is still one of the highest levels in Europe). Primary school enrollment also increased during communism, as did literacy.

**Figure 2.** Romania’s real GDP per capita, post-WWII

![Graph showing Romania’s real GDP per capita, post-WWII](image)

*Source: Maddison Project.*
Communism also normalized women working. While the slogans of communism are egalitarian, we should not overestimate how this has actually worked in practice. One proxy for women’s independence is the prevalence of older over younger mothers. We see little changes in the structure of motherhood during communism (Figure 4). The number of young mothers (15–24 years old) starts declining only after the fall of communism, accompanied by the rise in the number of mothers between 25 and 34. Only after 2000 do 20–24-year-old mothers become less prevalent than the 25–29 year olds, and the 30–34 year olds more
prevalent than the 15–19 year olds.

The amount of money that people spent on food also improved up until 1980, according to data from the official Romanian statistics, adjusted after 1990 in an attempt to account for communist-era fake data. In 1960, people in rural areas spent about 75 percent of their income on food, a percentage that declined to about 60 percent by 1980. Urban wage earners spent about 55 percent of their income of food in 1960 and only about 45 percent in 1980. This situation deteriorated, however, during the 1980s, and improved again only after 2000, the rough moment when we could say the post-communist transition ended, and Romania entered on a high-growth path.

Ceaușescu’s visit to North Korea in 1971 marked the end and the reversal of the liberalization process. The final destination was the national-communist-autarchic model of the 1980s, which ended in a material poverty so deep that it affected even the privileged of the regime. In 1989, some of the high-ranked communists were able to take advantage of popular discontent and eliminate Ceaușescu.

**Political oppression under Ceaușescu’s regime**

Repression during the second part of communist regime was less open, bloody, and violent. It didn’t need to be as harsh anymore after two decades of terror, physical or economic liquidation of the most resolute opponents, and the systematic destruction of social trust through one of the most extended networks of informants. A significant contribution was the fact that after the 1956 and 1968 moments, everybody finally understood that the ‘free world’ would not risk a nuclear war to liberate Eastern European countries and not even help them to liberate themselves. Despite this, the regime had to deal with a strike of miners in Valea Jiului in 1977, an uprising of other industrial workers in Brașov in 1987, and also with peaceful individual protests, most of them inspired by the Czechoslovak movement Charter 77.

Any organization beyond the direct control of the authorities was a target for the repressive apparatus. This included Sindicatul Liber al Oamenilor Muncii din România (Free Trade Union of Workers from Romania), the first independent trade union created under communist regime. It was founded in 1979, in accordance with communist legislation of that time, by Dr. Ionel Cană. The initiative was announced to Romanians in the only possible way, by a letter to Radio Free Europe. The twenty initial members were joined by over 2,000 brave adherents. Its leaders were arrested almost immediately and sentenced to five years of prison. Because of international pressures, they were liberated one year later and allowed to leave the country (Cană 2015).
In other cases, the consequences were less fortunate. Gheorghe Ursu (1926–1985) was a reputed engineer who specialized in anti-seismic protection, and who was also a writer and poet. His life itself could be a novel (Fundăția Gheorghe Ursu 1995). A member of the communist party in his youth, he was excluded very rapidly because of his lack of obedience and his free spirit. He criticized the regime only privately, in his circle of friends and in a thousand-page-long journal. Authorities’ reaction to the earthquake of 1977 pushed his opposition to a higher level. Ceaușescu himself decided to stop any significant reconstruction of the buildings damaged by the earthquake and recommended only minor repair projects. Ursu refused to agree with any of those projects and criticized authorities’ intentions, via a letter read at Radio Free Europe. The Securitate pressed him to denounce his accomplices and to sign self-incriminating confessions. He was eventually arrested in 1985, repeatedly beaten by at least two officers and by an instrumentalized cellmate who had been convicted for violent crimes. He died in the hospital less than a month after his incarceration and interrogation. The fact that there was no Red Army on Romanian territory helped the propaganda to present the regime as a warranty for the country’s independence and any dissident as an agent of a foreign power—any power, from the Anglo-American imperialism, to Soviet ‘limited sovereignty’ doctrine, to Hungarian irredentism.

The dissidence inside the communist party was rather limited and stamped out rapidly. Lucrețiu Pătrâșcanu, a founding member of the Communist Party of Romania, was arrested by his comrades in 1948 and executed in prison six years later because he was not radical enough and too nationalistic. Another founding member and leader of the party, Ștefan Foriș (or Fóris István, in Hungarian, his maternal language) was killed in 1946 with an iron bar by an NKVD agent, the future founder and head of Securitate (Tismăneanu 2007, 43). Ion Gheorghe Maurer, a member of the communist party since 1937, a key factor in Ceaușescu’s accession to power and the prime minister from 1961 to 1974, was only marginalized. This happened because of personal conflicts with the ‘beloved leader,’ not because of any doctrinal issues. He kept all the privileges of the nomenklatura in exchange for a total disconnection with the circles of effective power.

During the mid-1970s the regime was already strong enough to only marginalize, as opposed to execute, dissidents, like Ion Iliescu (the future president), slowly downgraded from head of communist youth to director of a publishing house. It is not clear if his dissidence came before his marginalization or after it. The most spectacular public dissent happened in 1979, in a perfectly staged ‘strong unity’ theatre, at the XII Congress of the Romanian Communist Party. Constantin Pirvulescu, one of its founding members, criticized Ceaușescu for poor leadership and subordination of the Party and country to his personal
interests. He unsuccessfully called for a vote against the re-election of Ceaușescu, who responded by accusing him of treason. The critic lost all his privileges and spent ten years under house arrest. With five other comrades, he signed an open letter in 1989, condemning again Ceaușescu’s personal dictatorship but without any reformist proposal (A. Șerban 2008).

The dissidence from the Moscow official line started before Ceaușescu’s accession to power and was used by Ceaușescu and the Romanian Communist Party as a way to consolidate power. An important signal of this divergence was the neutrality in the conflict between the USSR and the People’s Republic of China. However, the discontent of Romanian authorities concerned economic rather than ideological aspects. One major frustration was related to the war reparations and other resources extracted by the USSR, which reached eventually a level five or six times higher than the amount stipulated after WWII. This rent extraction was achieved by the USSR through the SOVROMs, joint ventures in which the occupant had total control. The only solution to stop this process was to buy out the Soviet participation after 1956 (Banu 2004). However, this discontent was not public at that time. A major turning point was the official reaction to the so-called Valev plan of 1964, which was perceived by Romanian authorities as representing the USSR’s intention to limit Romania’s economic development, especially industrialization. The central idea was to institute a supranational central planning body, which was supposed to control over 40 percent of Romania’s territory, along with smaller parts of other COMECON countries in the lower Danube basin. The Romanian Communist Party publicly condemned this initiative at the highest political and economic levels—the Central Committee of the Party and the Institute for Economic Research (Murgescu 1964).

In its early years, the communist regime required total allegiance from all of society, with a special attention to the political, economic, military, and intellectual elite. It imprisoned, persecuted, or censored all those considered hostile, which included but were not limited to writers close to the Iron Guard. In 1990, Revista Memoria (The Memory Review) made a first attempt to identify intellectuals, mostly writers, arrested between 1945 and 1989 (Revista Memoria 1990). Building on this first list and other different sources, Ion Lazu collected 367 names of writers imprisoned by the communist regime (Lazu 2008). After the general amnesty of political prisoners in 1964, the communist regime tried to integrate the survivors in its mor and more nationalist propaganda. Therefore, the evaluation of all Romanian writers and their literature as to their compatibility with classical liberal principles requires work beyond the scope of this paper.

However, among writers who passed the ‘anti-totalitarian test,’ we can mention beside Eugen Lovinescu during the inter-war period Nicolae Steinhardt, Vasile Voiculescu, and Paul Goma. A special category includes the generation of
writers who were initially accepted by the communist regime, but later become critics and even opponents, such as Marin Preda, Ana Blandiana, and Mircea Dinescu, to name a few.

Probably one of the most impressive cases is Nicolae Steinhardt (1912–1989). His life might make one think of Virgil Gheorghiu’s novel *The Twenty-Fifth Hour* (1949); the book inspired the 1967 movie of the same title starring Anthony Quinn (which we recommend!). Steinhardt was a Romanian Jew, a wounded and decorated WWI hero, a writer and literature critic, with a Ph.D. in law. In 1939, he became editor at *Revista Fundațiilor Regale* (*Royal Foundations Review*), but one year later he is sacked because of the Iron Guard government’s ‘racial purity’ laws. He was re-installed in the same function in 1944 just to be fired again in 1947, this time by the communist regime. After that, he was allowed to take only unqualified jobs until he was arrested in 1959 and forced to make a choice: to testify against Constantin Noica and other writers accused of fascist sympathies or join them in prison. In 1960 he was sentenced to 12 years of forced labor, but he was liberated after four years with the general amnesty of all political prisoners. He spent his life under strict surveillance by the Securitate and joined Rohia Monastery as a monk in 1980. While in prison, Steinhardt converted to Christianity, an experience which would originate his “literary testament,” *Jurnalul Fericirii* (*The Diary of Happiness*). The manuscript was confiscated by the authorities in 1972 and recovered and expanded by the author in 1975. A samizdat copy was eventually read by Monica Lovinescu and Virgil Ierunca at Radio Free Europe during 1988–1989, making it the most popular of his works (Andronescu 2020; Ardeleanu 2009).

Vasile Voiculescu (1883–1963) was licensed in medicine, practicing it in a small village and as a military physician during WWI, and he was talented in literature; he published his first volume of poems in 1916 and won the National Prize for Poetry in 1941. He managed to avoid censorship and to publish a volume of poems and essays in 1948, the last one during his life. In one of the stories, “Prefrontal Lobocoagulation” (Voiculescu 1986/1948), the writer uses his medical background and imagines a dystopic world in which all the trouble in life and society is eliminated thanks to the “Perfect Permanent Presidium of Peoples of the Peace.” The total control necessary for such a perfect society required the surgical suppression of the nervous centers of anxiety and instigation to freedom.\(^\text{13}\)

\(^{13}\) This idea could remind some readers of Kurt Vonnegut’s short story “Harrison Bergeron” (1968).
His attraction to religious, mystical, and fantastic themes made him suspicious to communist authorities. Along with other writers with similar views, he was sentenced to prison from 1958 to 1962.

According to the literary critic Alex Ștefănescu (2020), Paul Goma (1935–2020) was the first writer to openly challenge the communist regime. Born in Orhei, Republic of Moldova, which was part of Romania at that time, he was confronted with difficulties very early in his life. In 1941, after the region was annexed by the USSR, his father was deported by the occupiers. His family eventually escaped into Romania, but after 1944, with the Red Army on Romanian soil, they had to hide and forge documents to avoid being deported to the USSR. As a literature student, he publicly read an essay about a disappointed communist who quit the Communist Party in protest against the repression of the 1956 Hungarian uprising. The sanction came immediately: two years of prison, followed by 5 five years of deportation to Bărăgan, a sparsely populated agricultural region in Romania. The ‘Alight’ liberalization of the communist regime allowed him to restart his literature studies. In 1968, when Socialist Romania did not participate in Czechoslovakia’s invasion, he joined the Communist Party. However, in 1971, when he understood that his novel would not be published, he sent the manuscript to Germany and France, where it appeared simultaneously. Protected partially by his international fame, he dared to send and publish abroad another manuscript in 1972. When he announced—via Radio Free Europe—his support for the Czechoslovak movement Charter 77, not even international fame could protect him against the brutal reaction of the communist authorities. They finally decided to provide him and his family a tourist passport to visit France, where he asked for political asylum. His opposition to the communist regime continued until its fall. After 1989, despite an aura of undeniable resistance, Goma failed to capitalize on it in a politically effective way. Gradually, he lost his admirers and friends and, during his last years, he adopted positions that could hardly be considered classical liberal.

Overall, the leaders of the Romanian Communist Party achieved very effective control over the population, combining all of the anti-liberal techniques used by other communist parties from the Eastern Bloc and pushing them to their limits. They killed or imprisoned opponents and deviationists, deported tens of thousands, systematically destroyed social trust by recruiting informants, cut ties with the outside world and especially with Romanian exiles, and enforced a total censorship of mass media and culture. Traveling abroad was increasingly more difficult, even to other Eastern European countries. Members of German and Jewish minorities were allowed to leave the country only after paying a ransom, presented by the regime as a compensation for their state-provided education. The education process, the textbooks, the literature, the music, the movies, all had to be in accordance with the official narrative. The regime was presented as
the legitimate heir of all the previous good leaders of the country, the achiever of Romanians’ “multi-millennial dream” of national unity, sovereignty, independence, and social justice. In the end, the president of the Socialist Republic of Romania had a presidential scepter and was welcomed across the country by comrades dressed as Romanian princes.

One consequence of this very effective information blockade was extremely limited knowledge of classical liberal authors. Smith and Ricardo aside, the names of ‘bourgeois economists’ were absent from high school textbooks and completely unknown to the general public. Adam Smith’s *Wealth of Nations* was translated into Romanian in 1962, but only 1,900 copies were printed. John Maynard Keynes’s *General Theory*, meanwhile, was translated in 1970. But before 1989 there were no translations of the classical liberals Say, Bastiat, Carl Menger, Ludwig von Mises, Milton Friedman, or Friedrich Hayek. Their books were extremely rare and accessible only to some political economy professors and researchers.

Another consequence of the propaganda was the lack of any hope that the communist system would ever end. People just waited for Ceaușescu’s death and hoped that his successor would start a glasnost and perestroika process, something that would bring a ‘Gulyás socialism’ like in Hungary. In the 1980s any Eastern European country looked more prosperous to Romanians. Unlike Poland, Czechoslovakia, or Yugoslavia, Romania had almost no civil society left. Only a few isolated opponents such as Doina Cornea, some former political prisoners under a strict surveillance such as Corneliu Copsu, and dissidents (former high-ranking communists marginalized by Ceaușescu) remained. For classical liberal thought, everything had to start from scratch in 1990.

**The road from serfdom**

Despite the violent end of Ceaușescu’s regime, the transition toward democracy and a market economy was less drastic and significantly slower than in other Eastern European countries. Former Romanian apparatchiks regrouped rapidly around the National Salvation Front and maintained their control over the economy and mass media. Pre-war political parties were re-founded by their surviving members, along with dozens of new ones; eighty political parties participated in the first post-communist elections on May 20, 1990 (Preda 2013). Freedom of expression and freedom to start a business was virtually unlimited. However, the privatization process was hesitant, and price controls and hyperinflation hit a population largely unprepared for the significant efforts required to adapt to new and fluctuating rules.

The first elections were won by the political force formed by the second
echelon of the pre-1990 Communist Party, who wanted the transition to go as slowly as possible. For example, the first democratically elected president, Ion Iliescu, had been a prominent communist who disagreed with Ceausescu about whether North Korea would be a good model for Romania to follow and got sidelined because of it. Reformists finally won the 1996 elections with a very narrow margin. However, internal divisions, incoherent strategies, and corruption resulted in disappointment among the population. Economic growth started in 2000 but it came too late to help the reformers win the elections at the end of the year. This being said, the political environment changed so much that even the heirs of the communist party, rebranded as the Social Democratic Party (SDP), continued privatizations as well as negotiations in 2004 to join NATO and in 2007 the EU. The SDP continued to be the biggest political party, governing in coalition with other political forces in 2001–2004, 2008–2009, 2012–2015, and since 2017, but it has not won presidential elections since 2000. The early painful part of economic transition was followed by a period of steady growth, interrupted for a couple of years by the economic crisis of 2008.

Over the last three decades, Romania has made significant progress both in terms of political and civil liberties and in terms of economic freedom.

The Timișoara Proclamation

As a reaction to the obvious success of former communists in retaining political and economic power, the representatives of revolutionaries from Timișoara, led by George Șerban, published a thirteen-point Proclamation on 11 March 1990 to highlight the ideals behind the uprising and to propose some guidelines for the transition.

The authors insisted that the revolt was anti-communist (and not only against Ceaușescu) and involved people from all social categories and ethnic groups (Points 1–4 and 13). As a blueprint for a transition towards a free society, the Proclamation had very clear requirements: free elections and pluralism, “economic and administrative decentralization,” privatizations, free markets, the right to use foreign currencies in all transactions, warnings against inflation risks, and the need to attract foreign capital, including the human capital of Romanian émigrés.

The most controversial Point 8 required a step-back by any former Securitate and Communist Party officials (but not for common members), by an interdiction against their being a candidate for the forthcoming three legislatures.

The ‘new’ authorities regrouped in the National Salvation Front did not underestimate the importance of the document and unleashed a massive propaganda war against it. The authors were accused of separatism (assimilated to high treason), of ‘witch hunting’ against the three million common former
members of the Communist Party, and of the intention to sell the Romanian economy to foreigners and to the rich who had exploited Romanians before the war. The defamation campaign was successful thanks to the control of almost all television news programs but also because of half a century of indoctrination. The so-called ‘lustration,’ led by Șerban, came too late. In this aspect, Point 6 was prescient:

After four decades of exclusively communist education and propaganda, prejudices engendered by this ideology still haunt all Romanians’ consciences. The existence of such prejudices is not the bearer’s guilt. Nevertheless, their manipulation by groups interested in resuscitating communism and bringing it back to power is a counter revolutionary act. … It is of utmost necessity to draw up immediately a short, but correct history of the 1944–50 period, and give it mass circulation. (G. Șerban 1990)

Political and civil rights

Despite the most violent regime change, despite some early inter-ethnic violent fights (March 1990), despite the miners’ six marches on Bucharest (dubbed “Mineriads”), which led to extreme violence (January, February, and March 1990, September 1991, January and February 1999), Romania avoided open civil war. Even more, the civic spirit has gradually come back to life, leading to huge popular manifestations against corruption in January–February 2017 and August 2018.

Since 1992, political power has changed hands four times, with losers of the election recognizing the results. Furthermore, since 2002, unlike the case of Hungary or Poland, no party or coalition has ever been able to have anything more than a marginal victory in Romania. Consequently, the winners never gained enough political power to be able to rewrite the constitutional rules in their favor. Even before the EU required (as an institutional precondition for EU accession) that judges become politically independent, none of the winning parties dared to seriously use the justice system against their opponents, primarily out of fear of repercussions once they would lose elections themselves. In other words, all of the different political forces in Romania have remained sufficiently weak to be forced to keep an eye toward keeping the political structure competitive, so as not to run the risk of being on the side that gets structurally excluded.

Probably the most obvious and undeniable gain since 1992 has been freedom of expression. Of course, as everywhere in the world, it is under a permanent threat, from politicians, other initiators of coercion, or from a taboo-laden public opinion. For better or worse, anything can be published or aired in Romania. Nonetheless, according to Freedom House (link), “although the media environment is relatively free and pluralistic, key outlets remain controlled by businessmen with political
interests, and their coverage is highly distorted by the priorities of the owners.”

Another impressive development is that the rights of ethnic minorities are today generally respected. Each of the 18 officially recognized minorities has a representative in the lower chamber of Parliament. The Hungarian minority does not need this special treatment and is able to have representatives through the regular electoral process. Usually, the Democratic Union of the Magyars of Romania (UDMR) gets 5–8 percent of the votes and 5–10 percent of the MPs. It has been a member of the governing coalition in 1996–2000 and 2004–2012. By contrast, xenophobic and openly anti-Semitic and anti-Hungarian parties of the 1990s no longer have parliamentary representation. They are falling into political irrelevance, in contrast to what is happening in some other European countries.

Romania is in many ways a model of how to solve ethnic problems by political means. As mentioned, inter-ethnic tensions were extremely high in 1990. Furthermore, ethnic Hungarians had virtually no minority rights, i.e., no right to Hungarian schools, no right to speak Hungarian in courts of law, and not even the right to have street signs in Hungarian in towns and villages where they had overwhelming majorities.

How did Romania reach its present situation, where such issues have diminished considerably, and minority rights are now granted, while other more well-established democracies have had separatist or ethnic violence for many more decades—Britain in Northern Ireland, France with the Basque and the Corsicans, and Spain with the Basque and the Catalans?

The answer has to do with Romania’s proportional electoral system, which makes it very rare for a single party to be able to form the government alone. Consequently, UDMR has been able to be a coalition partner to parties across the political spectrum, in return for those parties agreeing to pass various minority rights reforms. Slowly but surely, Romania has thus become more liberal and equitable. The one ethnic group that remains significantly marginalized and discriminated against is the Roma, who are about 3–4 percent of the population.

In terms of gender and sexual rights, Romanian society is considered to be rather socially conservative. For example, at the referendum of October 2018, 91.56 percent of the votes cast supported a more restrictive definition of the family to be included in the Constitution, a definition supposed to exclude same-sex marriages. However, the liberal opposition campaigned to boycott the vote so as to invalidate the referendum, and, despite the vote being extended over two days, only 21.10 percent of the electors participated, which invalidated the referendum. In other words, only about 19 percent of the population cared enough about the

14. To give just one anecdote, in 2002, the Romanian authorities lobbied to change Romania’s ISO code from ROM to ROU in order to “avoid confusion” between Romanians and Roma.
traditional definition of marriage to show up at the referendum. Homosexuality was first criminalized in 1937 by the fascist government and penalties were increased during communism. It was legalized in 1996, but same-sex marriages or civil unions remain unrecognized.

Economic freedom

Economic freedom in Romania has increased significantly, according to estimates by Fraser’s *Economic Freedom of the World* index (Figures 5 and 6) and the World Bank’s *Doing Business* reports (Figure 7).

**Figure 5. Growth of economic freedom in Romania**

![Graph showing growth of economic freedom in Romania](image)

*Notes*: Data comes from the Fraser Institute. A higher score for Size of Government means smaller government.

Romania took part in the so-called flat tax revolution. Subverting ideological expectations, the Finance Minister of the Social Democratic Party proposed it in 2003, along with the first Fiscal Code that launched the same year. The idea was abandoned after president Ion Iliescu condemned it publicly, only for it to become one of the main points of electoral platform of the center-right Justice and Truth coalition the next year. The 16 percent flat rate on personal and corporate income has been effective since 2005. It has miraculously survived economic crises, recurrent left-wing criticism, and all imaginable combinations of government...
coalitions. Even more, in 2018, it was reduced to 10 percent by the left-wing coalition led by the Social Democratic Party.

**Figure 6.** Economic freedom rankings of Romania within Europe and Eastern Europe

![Economic freedom rankings of Romania](image)

*Source:* Fraser Institute. Authors’ calculation.

**Figure 7.** Romania’s cost of starting a business, as percent of GNI per capita

![Cost of starting a business](image)

Until 2018, a significant part of the current system of employment taxation in Romania was unknown to Romanian employees. As in many other countries, employment contributions are split between employers and employees. Employers are concerned with the total employment cost (gross salary plus employers’ labor contributions). Employees are concerned mostly by their net salary (gross salary minus withheld employees’ contributions and personal income tax). Their pay slip or salary statement does not mention employers’ contributions, which remain hidden to them. Until 2017, they represented 22.75 percent of the gross salary for normal working conditions. Since 2018, employers’ contributions are only 2.25 percent.

This apparently significant change was not an actual tax cut, but a shifting of almost all contributions from employers to employees. At the same time, tax rates were modified in order to make this operation as neutral as possible for employees and employers: net salaries and the total labor cost to the employer remained roughly unchanged (for a brief presentation of the reforms’ details, government motivations and impact assessment, see European Commission 2020). A consequence of the reform—perhaps unintended—is higher fiscal transparency. Romanian employees are now more aware of their fiscal burden.

Another interesting feature of the Romanian tax system is that most small and medium enterprises can choose between the general rule—a corporate income tax on profits (16 percent)—and a specific tax on turnover (1 percent). Since 2023, the option is possible if the turnover is less than 500,000 Euros, and it must be reported to the authorities before the beginning of the fiscal year. The distributed dividends are submitted to a personal income tax of 8 percent and, if their total is superior to 12 minimum wages, a health insurance tax, capped at 10 percent of 12
minimum wages.

In 2003, Romania introduced an unusual policy attempting to help civil society. A key difficulty for civil society organizations in Romania is the lack of private giving to charities and nonprofits. As such, they tend to depend on state or EU grants. In the attempt to improve the situation, Romania allowed individuals to redirect 2 percent (later increased to 3.5 percent) of their taxes to a non-governmental organization of their choice, and 20 percent of firm’s taxes on profit. The hope among the liberal supporters of this policy was to be able to gradually increase the percentage, moving the tax system closer to a system in which civil organizations compete to solve various social issues (and attract financial support from taxpayers). In other words, this policy was conceived as a way of decentralizing funding decisions. One of the biggest beneficiaries has been the Orthodox Church.

To understand the prevalence of such apparently bizarre moves, at odds with purported ideologies, one needs to account for several factors. First, Romanian parties both on the left and on the right are often only nominally or weakly ideological. Corruption can often push politicians in quasi-pro-market directions instead of toward full socialism. For example, opportunities for corruption can favor privatizations. Similarly, attempts to sway voters using policies with false allure before elections are very common, on the left as well as right. Second, financial constraints operate much more strongly in a country that has experienced large inflation (see Figures 5 and 8) and which has relatively few opportunities for low-interest borrowing. As such, parties regardless of political affiliation have found themselves impelled to adopt various austerity measures. Third, austerity measures are easier to implement for left-wing parties that control the unions. Romanian center-right governing coalitions have often faced substantial union protests even when attempting relatively small changes. By contrast, the Social Democratic Party’s control of the unions has enabled it to enact larger policy changes.

In the mid-1990s, Romania started its road to economic freedom among the most repressed Central and Eastern European countries. A quarter of century later, all these countries advanced on this road and the differences between them have shrunk. Some of them broke the curse of path dependence like Estonia, Georgia, and Lithuania, former USSR republics which have now the highest economic freedom in the region. Arguably, Romania has done the same, although in a less spectacular way. The progress was significant, but with hesitations. For example, after rapid improvements, economic freedom, still below the world average, decreased in 1999, oscillating for a couple of years (Figures 5, 6, and 7). It surpassed its previous maximum level only in 2006 and the world average one year later. Romania’s economic freedom is now similar to that of Poland, Bulgaria, Slovakia, and Latvia.
A prominent characteristic of Romanian economic development, which it shares with other Eastern European countries, is extreme geographical inequality (Figure 9). By 2020 Bucharest and its surrounding area had achieved higher GDP per capita than most German cities and higher than any Italian or Spanish region (Eurostat link). For comparison, in 2020 the GDP per capita in Bucharest was €49,200, while in Stuttgart was €47,000, Koln €39,000, Dusseldorf €37,700, Helsinki €43,500, and Lombardia €36,800. Richer regions in Europe include Ile-de-France (€52,700), Oberbayern (€52,500), Noord-Holland (€51,200), Utrecht (€50,100), and Prague (€60,400). And, yet, other regions in Romania remain among the poorest in Europe, e.g., North-East Moldova at €13,600 and even Transylvania at only €20,000. About a third of all taxes in Romania are paid by people in Bucharest despite having less than 10 percent of the entire population.

The aforementioned strange non-ideological nature of reforms notwithstanding, we do not want to imply that ideology plays zero role in Romanian politics. A relatively clear example involves policies related to the welfare state. Figure 10 shows a measure of dependency on government funding. This is calculated by dividing government consumption expenditure to the total final consumption expenditure. We see that the early center-right ‘shock therapy’ reforms indeed involved a decline in dependency. The center-left government that followed the 2000 election continued economic liberalization and it actually accelerated
deregulation, privatization, and free trade (Figure 5). Nonetheless, it did this while also re-amplifying the dependency of the population on government funding. Dependency declined a bit in the aftermath of the financial crisis, but recently it has ramped up to unprecedented levels despite there being a nominally liberal, center-right government. This corresponds to the public perception that the National Liberal Party is no longer a real liberal party, in that it does not, here, seem to be leaning against the governmentalization of social affairs but rather seems to be leaning toward governmentalization.

**Figure 10.** Romania’s percent of government consumption expenditure out of total final consumption expenditure

![Graph showing percent of government consumption expenditure from 1990 to 2020.](image)

*Source:* World Bank.

Figure 11 maps different parties on a left-right axis. It shows the distribution of parties over time, based on parliamentary elections to the Chamber of Deputies. Because Romania has a (roughly) proportional electoral system, there are usually multiple parties in each category, i.e., with similar political orientation. The figure shows oscillation over time, usually in response to perceived political failures of the parties that had political power. The figure also reinforces the point about the limited importance of the nominal ideologies—as we compare Figure 11 to policies from Figure 5 or, alternatively, to the chronology of various adopted policies discussed earlier.
Supporters of liberalism

In the long history told here, the battle of ideas was of crucial importance. Decades of propaganda thorough state-controlled education, ideologically charged literature, carefully supervised entertainment, and so on, left the population vulnerable to manipulations in favor of different forms of collectivism. The ideas of individual freedom and responsibility had yet to be rediscovered, studied, understood, and defended.

Publishing houses

At the fall of the communist regime, Romania had virtually no classical liberal literature, neither translated nor smuggled in from abroad. The situation changed rather quickly thanks to some Romanian publishing houses, which financed the translation and the publication of major works in a very hostile economic environment featuring limited and state-controlled supply of paper along with two-to-three digit inflation.
The pioneer was Humanitas (previously Editura Politică, Romanian Communist Party’s publishing house, a symbolic and ironic change), which started collections like *Totalitarianism and the East’s Literature, Civil Society, and Memoirs/Journals*, dedicated to the lost or unknown works promoting individual freedom. Before the mid-1990s, it brought to Romanian readers authors like Raymond Aron, Isaiah Berlin, François Furet, Friedrich Hayek, John Stuart Mill, Robert Nozick, Mancur Olson, Karl Popper, and Yevgeny Zamyatin. Humanitas has been run by philosopher Gabriel Liiceanu, a major figure in Romanian intellectual life over the past three decades.

All-Beck publishing house, founded in 1991, published such authors as Gary Becker, Milton Friedman, Henry Hazlitt, Albert Hirschman, Israel Kirzner, and Karl Popper.

After the mid-1990s, Nemira publishing house added its own contribution to this effort, especially through the collection *Political Society*, coordinated by political scientist Cristian Preda. It published works by Raymond Aron, Benjamin Constant, Wilhelm von Humboldt, John Locke, Ludwig von Mises, Karl Popper, Alexis de Tocqueville, and others.

Libertas, a small publishing house founded by Iulian Tănase, took the risky decision to specialize in classical liberal and libertarian authors like Walter Block, Henry Hazlitt, Murray Rothbard, Johan Norberg, Ludwig von Mises, and Ken Schoolland. It is now closed but the books are still here, as well as the ideas.

The publishing house of Alexandru Ioan Cuza University from Iași started a collection called *Free Economy and Society*. It is the result of work by professors Vasile Șișan and Gabriel Mursa. It currently offers about three dozen books by such authors as Philip Bagus, Frédéric Bastiat, Peter Boettke, Jörg Guido Hülsmann, Jesus Huerta de Soto, Israel Kirzner, Ludwig von Mises, and Pascal Salin.

It is also worth mentioning the translations of Paul Heyne’s *Economic Way of Thinking* in 1991 (Editura Didactică și Pedagogică) and of its revised edition by Peter Boettke and Prychitko in 2012 (Bizzkit, Junior Achievement Romania).

Major classical liberal works are now available to the public, sometimes even in two alternative translations or editions—for example, Hayek’s *Road to Serfdom* (two translations at Humanitas) and Mises’s *Human Action* (Institute Ludwig von Mises Romania and Alexandru Ioan Cuza University).
Romanian organizations and people defending liberal ideas

During the early stages of transition, the priority of civil society was to resist the power grab by former communists regrouped in the National Salvation Front (which later split into two social democratic parties). In this process of the rebirth of civil society, we have to mention Grupul pentru Dialog Social (the Group for Social Dialogue), founded on 31 December 1989 and still active today. On 22 January 1990, it began publishing its weekly magazine Revista 22 (the communist regime effectively fell on 22 December 1989, hence the name of the magazine). This has been a focal point for intellectuals favorable to democracy, open society, and individual liberty. The first issue published Gabriel Liiceanu’s famous “Apel către lichele” (“A Plea to Bastards”), a plea to the former supporters of the communist regime to step back and allow reform (Liiceanu 1992/1989).

About one year later (ironically, on 7 November), a group of intellectuals founded Alianța Civică (Civic Alliance), a similar organization but with a wider membership and audience. Despite their explicit reluctance towards political involvement, they have had a real influence in the transition process, not only through ideas but also via political involvement of some of their members. This organization is credited with the chief role in initiating the coalition that, after a failed attempt in 1992, achieved the first democratic change of power in 1996.

Societatea Academică din România (SAR; Romanian Academic Society) was founded in 1996 as an ambitious reformist alternative to the official Romanian Academy. The official Romanian Academy was under strict ideological control by the communist party; it did not expel any member who collaborated actively with the regime; it acted more like an anti-reformist body. The alternative, SAR, under the leadership of Alina Mungiu-Pippidi, provides information on public-sector activities, the transparency of public information, of political platforms, anti-corruption legislation, taxation simplification including the introduction of the flat tax, and more. SAR was among the most effective organizations in terms of policy changes. A more recent addition to this list of organizations is Expert Forum, a think tank very active in the areas like good governance and transparency in public spending.

Two academic institutions that have had an impact on liberal intellectual development are the Philosophy Department at University of Bucharest, thanks especially to Professor Radu Solcan, and the National School of Political and Administrative Studies, thanks especially to Professor Adrian Miroiu. Solcan promotes classical liberalism, Austrian economics, public choice, and institutional economics. Solcan has also been an important institution builder, with several younger political philosophers including former students following him. They have recently established a Philosophy, Politics and Economics program. Miroiu
promotes institutional economics, both as an influential professor and as the author of a widely used textbook.

All these organizations claim to be non-ideological and apolitical. The same claim of ideological neutrality can be found in the professional associations of economists, among economics professors in universities. However, a statist bias can be identified in the textbooks and handbooks used, most of them drawing heavily on Paul Samuelson and William Nordhaus, for example. There are some more free-market and government-skeptical centers, like the Department of International Relations, Academy of Economic Studies, Bucharest, with professors Costea Munteanu and Cristian Păun, the Rothbard Center of the Romanian-American University, Bucharest, with professor Bogdan Glăvan, Applied Economics and Business Administration at the University of Iași, with professors Vasile Ișan and Gabriel Mursa, and the European Studies Department at Babeș-Bolyai University.15

Among the few organisations and think tanks that openly claim a classical-liberal character are the Mises Institute Romania, CADI, and Solib.

Mises Institute Romania was founded in 2001 as a more wide and formal organization of the private Mises Seminar set up by Cristian Comănescu in the early 1990s. The Institute has published numerous books, online translations of Austrian-school economists, as well as various Romanian authors. It continues its work in private education in economics and other related topics such as philosophy, history, and religion. Its most active members are Vladimir Topan and Tudor Smirna, from the Academy of Economic Studies, Bucharest. The Mises Institute Romania is rather unique among the Romanian liberal and classical liberal organizations in that they are trying to create a blend of libertarianism and Christian Orthodoxy, while the others are secular. This blend is also highly unusual within the context of Romanian Christian Orthodoxy in that the Mises members advocate a radical separation of church and state, while most others who focus on the importance of Christian Orthodoxy want greater collusion between state and church.

15. The last two are using as the main economics textbook the Romanian translation of Heyne, Boettke, and Prychitko. More detail on intellectual affiliations and connections is provided by Aligică and Evans (2009, 55, 66).
One of the most prominent public intellectuals associated with the Mises Institute Romania, but who has achieved much wider recognition, is Horia Patapievici. Since the 1990s, he has published a number of widely read and widely discussed books, advocating economic freedom and freedom more broadly. He is also a strong defender of the Enlightenment and a staunch critic of postmodernism, which has encountered serious opposition in an intellectual climate dominated by continental philosophers and postmodernist poets.

The Center for Institutional Analysis and Development (CADI) was founded in 2006. Its activity consists in publications (books and journal articles), workshops, and conferences. Its September School of Philosophy, Economics and Politics, started in 2010, represents one of the most important gatherings of Romanian classical liberals. Several of its members have connections to Radu Solcan and Adrian Miroiu.

Several of the people involved in CADI had earlier been actively involved in building the coalition of right-wing political parties that achieved victory in 2004 and introduced the flat tax in 2005. Also, they worked on introducing the possibility of redirecting a percentage of income taxes to NGOs. Horia Terpe is the leader of the team that keeps running one of the most important nodes of the Romanian classical liberal network. The organization benefits formally and informally from the intellectual and social capital of emigrated Romanians that are integrated in the U.S. academic world, like Vladimir Tismăneanu and Dragoș Paul Aligică. Some of the high-profile conferences organized by CADI have included speakers like Jose Pinera, which had an important impact on the debate about private pensions in Romania.

Romanian Society for Individual Liberty (Solib) was founded in 2010. One of its main programs is Open Budget, a website which presents intuitively the structure of the government’s income and expenditures. Solib also organizes weekly informal meetings named Freedom Cafe and is a regular partner of seminars and summer schools promoting individual freedom. Its members are defending individual freedom mostly in economic terms but also in its moral and cultural aspects. Their activity is diverse, from entrepreneurs highly active on social media such as Ovidiu Neacșu to private sector professionals who have crossed the political Rubicon such as Claudiu Năsui, MP from the USR political party.
Recovering historical truths

Aside from such organizations, we should also mention a loose group of historians who have played an important role in trying to dismantle the communist-era nationalist propaganda. These historians wrote primarily for the general public, attempting to counter the excesses of the ‘official’ history still being taught in public schools and which still feeds anti-liberal political attitudes.

Especially starting in the 1980s, as a result of the economic stagnation (Figure 2), the communist regime tried to rebuild its political legitimacy by adopting ultra-nationalist, even xenophobic, aspects from the inter-war national mythology. After the collapse of communism, a large part of the electorate remains sensitive to these themes, and it is a danger not to be underestimated: ethnic conflicts at Târgu Mureș in 1990, the presence of far-right figure Corneliu Vadim Tudor (who also was the poet of the Ceaușescu family!) in the second round of presidential elections in 2000, and the electoral success of another far-right party, Alliance for the Unity of Romanians, in 2020.

Humanitas published in 1992 one of the first history books written during the dictatorship not contaminated by the national-communist ideology: The History of Romanians from Their Origins to the Present Days. Its author, Vlad Georgescu, was a historian and former director of Radio Free Europe’s Romanian Department. He was probably irradiated by the Securitate as a retaliation for his decision to air Red Horizons, the book of the defector Ion Mihai Pacepa.

Lucian Boia (1995; 1997) and Florin Constantiniu (1997) were among the first to offer the general public a critical analysis of the ‘founding myths’ of Romanian history and a historical discourse free of propagandistic exaggerations.

Neagu Djuvara (1999), beside his specialized works, targeted explicitly younger generations, often in attractive and commercially successful ways such as illustrated versions of history books, done in cooperation with Radu Oltean. He later published a dozen illustrated history books which depict various topics neglected by history textbooks, like the contribution of minorities such as Magyars and Germans in Romanian history and military architecture (Oltean 2019; 2021). Djuvara’s centenary life (1916–2018) is a history in itself; he first studied literature and law in France, and later received a second Ph.D. in philosophy of history under the direction of Raymond Aron. He was a war hero wounded near Odessa, an employee of the Minister of External Affairs in the Cipher Department, involved in negotiations with USSR concerning the exit of Romania from the alliance with Germany, a close collaborator with U.S. intelligence who wanted to parachute agents into already communist Romania, a leader of Romanian exiles, and a diplomatic and legal consultant. He returned to Romania in 1991 as Associate Professor at the University of Bucharest.
Last but not least, we should mention Bogdan Murgescu’s in-depth work of economic history *Romania and Europe: The Accumulation of Economic Gaps* (2010). Despite being an academic work, the book was a minor sensation. To many this was the first time they had seen history told with quantitative data, and a history focused primarily on the living standards of the average person rather than on various political and military events.

The importance of such private initiatives can be better understood in contrast with the fate of two high school history textbooks, conceived by their authors (Lucia Copoeru, Ovidiu Pecican, Sorin Mitu, Virgil Țirău, Liviu Țirău) as alternatives to the traditional approach, which still gravitates around the idea that that the creation of a ‘national and unitary state’ was Romanians’ dream as early as 1600, even before the existence of such a concept. The textbooks were initially approved by the Ministry of National Education in 1999, just to be banned for use in Romanian schools by Social-Democrat Minister Ecaterina Andronescu in 2001.

**Romanians abroad**

Vladimir Tismăneanu, a professor of political science at the University of Maryland and formerly at the University of Pennsylvania, is one of the most important analysts and critics of totalitarianism. His personal background explains in part his rejection of totalitarian regimes of any orientation. He is still involved in Romanian intellectual and political life. In 2006, he was appointed president of the Presidential Commission for Analysis of the Communist Dictatorship. The report represents an official condemnation of the communist regime as an “illegitimate and criminal” one.

Aurelian Craiuțu, a professor of political science at Indiana University, has continued to publish in Romanian magazines. Some of his books have also been translated in Romanian. *Faces of Moderation* (2017) is a notable recent example, in which he argues about the importance of avoiding extremism, highlighting the example of intellectuals like Raymond Aron, Isaiah Berlin, Norberto Bobbio, Michael Oakeshott, and Adam Michnik.

The Mercatus Center of George Mason University is a hub for Romanian friends of liberty that are interested in a U.S. academic career. Among them is Dragoș Paul Aligică who, beside his research and teaching abroad, is still active in the battle of ideas in his country of origin. He has also recently become KPMG Professor of Governance at the University of Bucharest, a position designed to build a stronger connection between Western academia and Romanian universities.

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16. Tismăneanu was of Jewish origin and his parents were members of the first circle of power in early stages of the communist dictatorship. Later they became dissidents, critics and opponents of that regime.
thanks to his dual affiliation.

The ‘French connection’ is represented by Bogdan Călinescu, Director at Institut de Recherches en Economiques et Fiscales (Institute of Economic and Fiscal Research) and author of a dozen books under the pen name Nicolas Lecaussin. One book co-edited with Jean-Philippe Deslol, Anti-Piketty: Vive le capital au XXIe siècle!, was also translated and published in Romania.

Virgil Nemoianu was one of the voices that contributed to the transition towards a more open and liberal society. He is now a professor of literature and philosophy at the Catholic University of America in Washington, D.C., and seems to regret his interest in Romania’s political life right after the fall of communism. He considers, maybe too modestly, that those 10 years are lost, and gives two reasons: the small impact of his advice and the high opportunity cost, namely a book that will never be written (Nemoianu 2000; 2001). Actually, the interest for his works persists, as suggested by the re-edition of some of his books.

**Foreign friends of freedom**

More than two thousand students, mostly from Eastern Europe, with hundreds from Romania, attended the seminars, summer universities and conferences organized by the Institute for Economic Studies–Europe (IES-Europe).\(^\text{17}\) For most of them it was their first contact with a structured intellectual presentation and defense of classical liberal ideas. Some of these former students are now involved in the same battle of ideas.

Countless books were donated by these organizations to Romanian libraries and students, many of them were translated or published thanks to their generous donations.

Beyond the financial contributions of these organizations were the moral support, advice, and intellectual edification provided, since 1990, at the personal level by people like Tom Palmer of the Atlas Network and Cato Institute, Jacques and Pierre Garello, Jean-Pierre Centi, and Bertrand Lemennicier of IES-Europe.

Other significant actors include Freedom House, the Konrad Adenauer Foundation, and the Friedrich Naumann Foundation, who have supported projects and think tanks favorable to the core values of a civilized society. For a long time, the Soros Foundation for an Open Society was a major foreign supporter of the nascent civil society in Romania, with efforts generally aligned with classical liberal sensibilities. However, the foundation ceased its operations in Romania in 2017, as George Soros became increasingly opposed to free markets and liberal values.

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17. IES-Europe has previously been IHS-Europe, a subsidiary of the Institute for Human Studies.
The press and mass media

In the short run, books and academic works have a limited impact on public opinion without mass media. In the early 1990s, the newspapers were easy to divide along ideological lines: for or against a fast (or faster) transition toward a market economy through privatizations, price liberalization, restitution of property confiscated by the communist regime, and other reforms.

Beside journals published by reformist political parties—journals which faced extreme difficulties, like access to paper and to distribution channels—one of the most important pro-market voices was at that time *România Liberă* (Free Romania).18 This journal founded in 1877 became openly anti-communist and pro-market, right after Ceaușescu’s fall, thanks to the new director appointed on 22 December: Petre Mihai Băcanu. He had been a journalist at the same publication until arrested in 1988 for his attempt to print a clandestine newspaper.

In 1992, *România Liberă* was joined in its fight against the not-so-reformist government by *Evenimentul zilei* (Event of the Day), a daily newspaper founded by three journalists, Mihai Cârciog, Ion Cristoiu, and Corneliu Nistorescu. The newspaper was a huge market success, with copies sold in unprecedented numbers in the entire history of the Romanian press.

Since 1992, another vector of pro-market ideas and economic education was the weekly newspaper *Capital* (Ringier Group, until 2010). The first members of the team, including Cornel Rudnițchi, Andreea Roșca, and Ionuț Popescu, were joined later by a young generation of free-market oriented economic journalists including Oana Osman, Valentin Vioreanu, and Ciprian Mailat. It was also open to free-market opinion articles by occasional contributors. Ionuț Popescu was the Minister of Finance when the flat tax was introduced in 2005.

After 2005, *Capital* had a strong competitor in *Săptămâna Financiară* (Financial Weekly). Until 2011, it was a member of the Intact Media Group, owned by the family of Dan Voiculescu, a controversial Romanian businessman with documented links to the Securitate. The editorial policy did not prevent the publication of free-market oriented articles by Florin Rusu, Ionuț Bălan, Adrian Moșoiu, and others. Ionuț Bălan also interviewed Tom Palmer, Johan Norberg, Florin Aftalion, and others.

Private TV and radio stations started in 1991 but they had a limited involvement and impact in terms of countering the government-controlled former monopoly. Although they were rather oriented towards entertainment, their

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18. The editorial policies of some publications and the opinions of some journalists mentioned in this paragraph changed over time. Therefore, their characterization as reformists, free-market promoters, or classical liberals should be understood as time-specific.
editorial policy was more balanced. Televised debates had a large impact on elections, allowing center-right parties to win in the mid-1990s as well as later in the mid-2000s.

Conclusion

There is a general and overwhelming consensus in Romania, transcending political lines, in favor of ‘Western civilization.’ In institutional terms that means support for the European Union and NATO. The ideas of property rights, the four freedoms (goods, services, capital and, especially, persons), democracy, and freedom of speech are not serious political issues, even if all political parties try to take advantage of some discontents. According to a 2022 INSCOP poll (link), 77 percent of Romanians choose “the West” and only 10.4 percent choose “the East” meaning Russia and China. Support for the United States is also very high. Former President Traian Basescu has actually argued that Eastern Europe is better off allying itself, economically and politically, with the United States than with Western Europe.

This victory in the battle of ideas is not without risks: all the gains in terms of individual freedom and prosperity are now taken for granted. An economic or a political crisis could generate a political realignment that would squeeze the core classical liberal electorate and even split it along the new alignment identified in developed countries, that being national (religious) identity vs. internationalism. Some signs can already be identified in the internal tensions of the National Liberal Party, which became more conservative on social issues, and in the progressive Save Romania Union, which is more liberal on social issues and, for now and for some of its leaders, still strongly attached to a free-market economy.

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Foreword to Edward Westermarck’s Lectures on Adam Smith

Otto Pipatti

Sociologist, anthropologist, and philosopher Edward Westermarck (1862–1939) grew in an academic Swedish-speaking family in Helsinki, Finland, then an autonomous part of the Russian Empire. He studied the humanities, philosophy, and psychology at the University of Helsinki. During his student years, Westermarck became much attracted to British empiricist philosophy, Darwinian evolutionism, freethought, and liberal social criticism, which continued to inspire his work for the rest of his life.

Westermarck’s doctoral thesis from 1889 is included in his first major work, *The History of Human Marriage* (1891), published in England. The book became a critical success and a bestseller, and it was quickly translated into French, German, Spanish, Italian, Russian and Japanese. In 1890, Westermarck was appointed Docent (lecturer) in Sociology at the University of Helsinki and he spent much time conducting research in London. In 1898, he began his ethnographic fieldwork in Morocco, which lasted in total more than six years.

The completion of Westermarck’s second book, *The Origin and Development of the Moral Ideas*, two volumes (1906; 1908) won him professorships both in Finland and England. Between 1906 and 1918, he served as Professor of Practical (i.e., moral and social) Philosophy in Helsinki, and from then on as Professor of Philosophy at Åbo Akademi University in Turku. Beginning in 1904, Westermarck also lectured at the London School of Economics and Political Science (LSE), and

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1. Royal Anthropological Institute, London W1T 5BT, UK
in 1907 he became Britain’s first Professor of Sociology (Husbands 2019, xvi, 18).

Westermarck spent a large part of his life dividing his time between Finland, London, and Morocco. His main ethnographic works are Marriage Ceremonies in Morocco (1914) and Ritual and Belief in Morocco (2 vols., 1926). Westermarck never married and there is no information about his intimate relationships. Through his scholarly writings and social activities, Westermarck strove to advocate legal reforms relating to the liberalization of divorce laws, the juridical equality of spouses, the position of unmarried women and adulterine children, animal rights, and the decriminalization of homosexuality (Timosaari 2021a; 2021b).

In Finland, a group of disciples shared his comparative evolutionary approach and interest in anthropological fieldwork. Most of them published their main works through leading British publishers. The Westermarckian school dominated the Finnish social sciences and philosophy until the Second World War. At LSE, Westermarck’s closest student and later a colleague was the prominent anthropologist Bronislaw Malinowski (1884–1942), who recognized Westermarck as his most important influence (Malinowski 1937, xvi).

Westermarck retired in the early 1930s, and in 1932 he published his main philosophical work, Ethical Relativity. Westermarck died in 1939, two days after Nazi Germany’s invasion of Poland, an event said to have brought on Westermarck’s fatal asthma attack (Lagerborg 1951, 366–367). His last major work, Christianity and Morals, appeared earlier in 1939.

The 1914 lectures on Adam Smith

Westermarck presented his theory of morality in The Origin and Development of the Moral Ideas (1906a; 1908). Noticing that his massive anthropological and historical evidence prevented some of his critics from seeing the forest for the trees, he offered his theory in a summarized form in Ethical Relativity (1932). Westermarck spent much of the 1890s developing his “general theory of the nature of moral consciousness” (Westermarck 1929, 232). During this time, Westermarck carefully studied Adam Smith’s The Theory of Moral Sentiments, which played a crucial role in the formative period of his thought (Pipatti 2019, 32–36). Later on, he included Smith among “the three writers who above all others have exercised an inspiring influence on my work in Sociology and Ethics,” the other two being Charles Darwin and James Frazer (Westermarck 1928, 190).

Westermarck lectured on the philosophy of British and Scottish Enlightenment for the first time in the mid-1890s. Between 1912 and 1932, he lectured on these topics regularly in Finland, whereas his teaching at LSE focused on sociology and social anthropology. In his lectures, Westermarck presented and evaluated the
works of Lord Shaftesbury, Joseph Butler, Francis Hutcheson, David Hume, and Smith, among others. He was particularly interested in the “scientific value” of their work (Westermarck 1931, 180). Westermarck approached the history of moral philosophy from the perspective of a social scientist seeking empirical hypotheses about human moral psychology.

Westermarck’s two lectures on Smith were delivered in 1914 at the University of Helsinki. The first lecture introduces Smith’s life and work. He refers to *The Wealth of Nations*, but only as a great and immensely influential work. Westermarck speaks briefly of Smith’s essays “History of Astronomy” and “Imitative Arts,” as well as his lectures on jurisprudence. Westermarck especially appreciated Smith’s psychology of science, laid out in the “History of Astronomy.” Westermarck’s understanding of the importance of emotions in scientific work was similar to Smith’s (Pipatti 2019, 138–140).

The second lecture focuses on *The Theory of Moral Sentiments* and touches upon key issues in Westermarck’s work on morality. I remark on five. First, Westermarck regarded Smith as a precursor of his empirical research program of morality. For Westermarck, the task of ethics is not to formulate normative rules for human action but to study how and why human beings make moral judgments (Westermarck 2003/1896). In this sense, ethics is a “psychological” and “sociological” discipline (Westermarck 1906b, 192; 1929, 218). However, this does not mean that Westermarck’s ethics would lack clear normative dimensions; there are many of them, just like in Smith’s *Theory of Moral Sentiments*.

Second, Westermarck deals with Smith’s theory of sympathy and brings out his own views on the relationship between sympathy and moral judgments. Like Hume and Smith, Westermarck was a theorist of sympathy, and the examination of sympathy permeates both the theoretical and empirical chapters of *The Origin and Development of the Moral Ideas*.

Third, Westermarck gives Smith credit for his insight on what Westermarck called “the retributive character of the moral emotions.” For Westermarck, this emphasis makes *The Theory of Moral Sentiments* “the most important contribution to moral psychology made by any British thinker” (Westermarck 1932, 71). Westermarck even regarded his own work partly as a matter of putting Smith’s theory of morality to an empirical test. In his view, a “comprehensive study of the moral ideas of various nations and in various ages confirms the ingenious hypothesis set forth by Adam Smith, that resentment and gratitude belong to the root-principles of the moral consciousness” (Westermarck 1900, 185).

Fourth, Westermarck follows Smith in his examination of the characteristics that distinguish the moral emotions from gratitude and resentment. In this regard, Westermarck’s lecture provides clues to how he interpreted Smith’s concept of impartial spectator. For Westermarck, Smith’s impartial spectator primarily repre-
sents how people in practice make moral judgments of others. It is about what kind of emotions people feel when they observe the actions of others from the position of a non-involved bystander. The gist of Westermarck’s reading is that it is by contemplating the reactions of the spectator that researchers can best understand and describe the nature of the moral emotions (Pipatti 2019, 133–136). The emotions of moral approval and disapproval are characterized by “disinterestedness”—because they are felt as independent of any benefit to oneself; “apparent impartiality”—because we feel that we do not favor any of the parties involved; and “a certain flavor of generality”—because we assume that most other people in our social group would respond the same way in a similar situation (Westermarck 1906a, 100–105). Westermarck treats moral emotions from both the proximate (the “how”-questions) viewpoint and the biological and evolutionary (the “why”-questions) viewpoint.

Fifth, Westermarck brings out his highly critical attitude towards Kant, who is criticized at length in Ethical Relativity. Westermarck stresses that the special merit of Smith’s work is that it helps to understand why moral judgments are directed at the will of the person judged. Westermarck was very interested in why we hold people responsible only for such actions that we consider to be directly or indirectly caused by their will, and he also considered how different circumstances influence moral evaluation. Following Smith, Westermarck traces the solution directly back to what kind of emotions the moral emotions are. Westermarck devotes to moral responsibility nearly half of the theoretical chapters of The Origin and Development of the Moral Ideas.

From Westermarck’s lectures, it becomes clear why he became, during his student years, fascinated by the “clearness and a sense of reality” that he found in work of British sentimentalists. “Even if [their] hypotheses were not unfailingly true”, he writes, “in every case it seemed possible that they could be corrected by a deeper search into the facts of experience” (Westermarck 1929, 30).

Notes on the text

The lectures were held in Swedish. The manuscripts are in the archive collections of the Åbo Akademi University Library in Turku, Finland. The lectures consist of 24 typed pages. A scanned copy of the 24 pages is available online directly from Filosofia.fi (link); in the translation below, the page numbers marked in pencil in the upper right corner of the manuscript pages are noted in brackets. In the typescript Westermarck used dashes to indicate paragraphing, and I have added a few other paragraph breaks. The typescript contains plenty of handwritten additions which are sometimes very difficult to read. I have tried to interpret them
as best I can, but I have had to leave some of them out. In translating the key concepts that Westermarck uses in his own moral theory, I have used the works that he wrote and published in English. Westermarck provides an account of Smith’s life. Sometimes he reports things the accuracy of which is either uncertain or now doubtful in light of subsequent scholarship, in which case I insert a footnote to alert the reader. Also, when Westermarck quotes Smith or other sources, I have translated the quotations as stated in Westermarck’s text, giving the source in a footnote and, in most cases, the original text as well.

References


Lectures on Adam Smith

Edward Westermarck

Lecture I [195]

Next to Hume whose philosophy I discussed previously stands, both as a writer and a friend, a man whose influence has not been lesser than Hume, if partly of a different kind. The name of Adam Smith has gone down to posterity as the father of economics, but he also made significant contributions to ethics. This remarkable man was born in 1723 in Kirkcaldy in Scotland where his father was a respected citizen. Father died only a few weeks after the son’s birth, whereas mother lived to an old age and received in the son’s extraordinary affection ample reward for her maternal care. When Adam was a small boy, an event occurred that could easily have thrown his life into a completely different direction from that of the philosopher and economist. One fine day when he was playing in the open air, he was abducted by a group of wanderers, but fortunately the incident was discovered in time and the boy was recovered. In school he soon raised attention for his love for books and for extraordinary memory, but also for his absent-mindedness and habit to think high—idiosyncrasies that he preserved throughout his life.

Smith was not even fifteen when he became a student at the University of Glasgow, the large Scottish city of commerce and industry. He stayed there for three years, and even if this time was too short for completing the bachelor's degree, it was of great importance for his further development. He came there under the influence of Hutcheson, then a professor of moral philosophy at the University of Glasgow. [196] Adam Smith always talked with the highest admiration about Hutcheson, “the unforgettable Dr. Hutcheson” as he put it. Smith received impulses from him both in his moral philosophy and economics (although the disciple in each of these branches would far outshine the teacher). Hutcheson truly was an influential person: free-spirited and fearless in religious questions, liberal in politics, the man of initiatives and humane reforms, a social optimist and philanthrope whose greatest aim in life was to promote human happiness through the spreading of useful truths and drawing out corrupting delusions. And in all these circumstances Adam Smith became the faithful follower of his appreciated teacher. When

1. Smith’s original wording is “the never to be forgotten Dr Hutcheson” (Corr., 309). The only other instance of such phrase in materials from Smith is “never to be forgotten friend” David Hume (ibid., 220).
one reads Hutcheson’s works it is difficult to understand that this philosopher, whose style in writing suffers from a suspicious lack of both juice and elegance, had extraordinary gift of speech, as testified by all his students unanimously, and through which he could assert his influence on to the degree that his time as a professor in Glasgow became an epoch in the cultural history of Scotland.

The reason Adam Smith left the University of Glasgow already at the age of seventeen was that his mother wished he would educate himself in theology in the Church of England, where lucrative positions were available to those who engaged in its service. With the help of the scholarship from the university young Adam was sent to Oxford [197] to study at the famous Balliol College for the new calling. The change of university was bitter. The young Scot felt and was treated by others there as a stranger, and he did not have much good to say about the teaching. The University of Oxford had at that time sunk deep in intellectual lethargy, laziness, ignorance, and luxury, and those who went through it would then sink even deeper into all sorts of civil and ecclesiastical sinecures. At Oxford, Adam Smith wrote much later, most of the professors had long ago given up any attempt to teach. They could only stand in the way of one who sought his spiritual education on his own. This is what Adam Smith would experience. He had brought to Oxford a copy of Hume’s *Treatise of Human Nature*, which he had received from Hume himself in recognition of the analysis of this work which Hutcheson had made him write during his student days in Glasgow:2 When the Balliol men caught Smith reading the work, the book was confiscated, and Smith was fined for his interest in such a godless writer as Hume. At Oxford he took his degree, became a Bachelor of Arts, but no longer thought about continuing the ecclesiastical path. He returned to Kirkcaldy determined to continue his studies, without any definite plans for the future.

During his stay there he wrote the essay “History of Astronomy,” which was intended to be part of a large work on the history of philosophy.3 This early work [198] is quite remarkable due to the opening chapters on surprise and wonder, two emotions that are treated in a surprising and insightful way. My friend Dr. Shand, who is the foremost specialist in the psychology of feeling, told me how his eyes fell by chance in a used bookstore on Adam Smith’s completely forgotten work on the history of astronomy, and to his surprise noticed how psychologically significant some of the ideas in the work are.4 Another interesting work of slightly

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2. Scholarship now concludes that Smith did not acquire Hume’s *Treatise* from Hume. Westermarck repeats here a mistaken reading of “Mr Smith” in a 1740 letter from Hume to Francis Hutcheson (see Rasmussen 2017, 267 n.23).
3. It is uncertain though probable that Smith substantially drafted *The History of Astronomy* during his time at Oxford or shortly thereafter; the original manuscripts were not preserved.
4. The English psychologist Alexander Faulkner Shand (1858–1936) published in 1896 an influential
later date is Smith’s essay “Of the Imitative Arts,” where he shows his acumen and originality in the field of aesthetics. Among other things, he aims to show that a significant part of our enjoyment of art stems from our admiration for the artist’s skill in overcoming the difficulties in creating a work of art, and he emphasizes that the basis of the beauty of the artwork lies in the difference, not similarity, between the imitative work and the depicted natural object. To strive for too great a resemblance makes the work of art ugly and unsuccessful.

In 1750, at the age of 27, Smith received a job that reconnected him to the University of Glasgow, where he now became the professor of logic. For the traditional logic and metaphysics, however, he had little interest: he claimed that philosophers often gained their reputation by concealing with words a lack of clear ideas. For this reason, he wanted to change his professorship in logic to another in ethics, and he also expressed the wish that his friend Hume would succeed him in his former professorship. But this wish did not come true. Hume, the most important contemporary epistemologist, was considered too ungodly to hold a professorship in philosophy at the University of Glasgow, which thereby missed out on the unique honor of being able to count Hume and Smith as simultaneous members of its faculty.

Adam Smith had great success as a lecturer. He himself attributes this success to his habit of carefully performing in his auditorium. “During the entire term,” he says, “I used to carefully observe a certain student in my audience, who sat directly in front of me. If I saw him reach forward and listen, I knew that everything was as it should be. But seeing him fling himself squarely into a posture of inattention, I immediately felt that something was wrong, and that I must change either my subject or the way I presented it.”

As professor of ethics, Smith lectured on natural theology, but nothing has survived from these lectures. From passages in his published writings, however, it appears that he was a theist in his religious views, but admittedly anything but orthodox. He believed in a wise providence, which arranges everything in the world so that humanity may flourish and progress in

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5. In a November 1751 letter to William Cullen, Smith writes cryptically about the possibility of Hume’s getting appointed at Glasgow: “I should prefer David Hume to any man for a colleague; but I am afraid the public would not be of my opinion; and the interest of the society will oblige us to have some regard to the opinion of the public” (Corr., 5–6). Westermarck’s description, therefore, is somewhat misleading.
6. This anecdote is told by Smith’s student Archibald Alison: “During one whole session a certain student with a plain but expressive countenance was of great use to me in judging of my success. He sat conspicuously in front of a pillar: I had him constantly under my eye. If he leant forward to listen all was right, and I knew that I had the ear of my class; but if he leant back in an attitude of listlessness I felt at once that all was wrong, and that I must change either the subject or the style of my address” (quoted in Sinclair 1875, 9; Rae 1895, 57).
perfection, and he calls conscience the representative of God within us, which punishing the guilty with internal torment, and rewards the virtuous with happiness and peace of mind. But no revelation is necessary for human beings to learn their duties. In all his texts, there is not a single line that could be interpreted so that he would have identified himself with Christian dogmatics. [200] With regard to freedom of belief and thought, he believed that the state should show unlimited tolerance. The more religions there are in the state, he says, the more impossible it is that they would disturb the peace within the same; each of these religious communities becomes too insignificant to make its weight felt within the state.

The most important fruit of Adam Smith’s lecturing activity was *The Theory of Moral Sentiments*, the first edition of which appeared in 1759. When this extraordinarily important book was published in London, Hume was there and sought in every way to contribute to its success. And success came immediately. Hume writes Smith as follows: “I have to tell you the sad news that your book has had a terrible misfortune, for the public praises it immensely.”7 Hume was not so wrong in that an author has every reason to be suspicious if his work is received with general praise; this is by no means always a good sign, for original thoughts and new discoveries require time to be recognized. But in this case the success was well deserved. Burke, the author of the excellent work on the origin of our ideas of the sublime and the beautiful, rightly emphasized that Adam Smith in his book took a new path in ethical speculation. The work was truly groundbreaking. That it was received with such great and unanimous admiration by the contemporaries, not only in England and Scotland but also abroad and especially in France, is explained by the fact that the author managed to confirm his conclusions with such convincing evidence that a generation of thinkers who stood on the same [201] unprejudiced basis could not fail to recognize and admire the new insights laid down in this book.8 This work is Smith’s most important contribution to philosophy, and it would have been quite enough to spread glory around his name, even if he had not written his second great work, *The Wealth of Nations*. It is safe to say that Adam Smith’s reputation as a moral philosopher would have benefited if the second star had not slightly dimmed the first one’s glow.

To the third edition of his work on the moral sentiments, Smith added a treatise on the origin of languages, which also is rich in ideas and bears witness to

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7. “I proceed to tell you the melancholy news that your book has been very unfortunate: for the public seem disposed to applaud it extremely” (*Corr.*, 35).
8. It is understandable that Westermarck would tell his pupils that Smith’s *Moral Sentiments* was received with “unanimous admiration by the contemporaries” and convinced “a generation of thinkers.” However, it is now better understood that many of Smith’s contemporaries and the following generations harbored great reservations, rarely expressed in print during Smith’s lifetime, but abundantly in the decades following Smith’s death (Klein 2018).
the rare versatility of its author. Not so long ago in 1896, an extensive manuscript of notes from Smith’s lectures on jurisprudence was discovered. Smith mentions the lectures himself and promises a book on the same subject. But the book was never published, and it was assumed that nothing was preserved from the lectures when the discovery was made, more than 130 years after Smith delivered the lectures. He emphasizes in these lectures that the task of natural jurisprudence is to study the general principles that should form the basis of the laws of nations. He opposes the theory that society would be founded on an original contract or agreement and instead points out that people tend to form societies partly because of the instinct of obedience, their tendency [202] to submit to the authority of others, and partly because of the instinct of self-preservation. “Ask a driver or day laborer,” Smith writes, “why he obeys the authorities, and he replies that it is right that he should obey them, that he sees others do it, that he would be punished if he disobeyed them, or perhaps that it is a sin against God to disobey authority. But he would never claim that a contract or agreement was the foundation of his obedience.”

In these lectures, Smith examines the legal relationships that have existed at different times and in different countries between husband and wife, parents and children, and master and servant. Here we have the beginning of comparative legal history. He acts passionately against slavery, which then flourished in the colonies of the European countries. He condemns severe punishments that were common in his time, insisting that they are not based on considerations of social utility, but are simply rooted in the desire to take revenge on the wrongdoer and in the sympathy for the person wronged. In addition, several economic questions are dealt with here, which were taken up in greater detail in the work on the wealth of nations, and on which I shall not delve into here.

After twelve years as a professor of ethics at the University of Glasgow, Smith resigned. He had received an offer from a young duke’s guardian to become his private tutor and accompany him in that capacity to France. It was common at the time to send a young nobleman on a journey rather than to study at university. It was considered that this way they would at least learn a couple of foreign languages, while in Oxford or Cambridge they only learned [203] laziness and other vices. In 1764, Smith thus set off with the young duke for France, first to Paris and then to Toulouse, where they stayed for a long time. However, life in Toulouse became boring and monotonous. Smith writes as follows: “The life which I led at Glasgow was a pleasurable, dissipated life in comparison of that which I lead here at present. I have begun to write a book in order to pass away the time.” This book was his great work on the wealth of nations.

9. Westermarck’s rendition is very close to the original passage (LJ, 402–403).
10. The actual passage reads: “The life which I led at Glasgow was a pleasurable, dissipated life in comparison of that which I lead here at present. I have begun to write a book in order to pass away the time”
Later during his stay in Paris Smith was amply compensated for the entertain-ments he missed in the southern French country town. As a friend of Hume and the famous writer of *The Theory of Moral Sentiments*, he had access to the salons and became personally acquainted with practically all the stars of France in politics, economics, and philosophy. He socialized with Turgot and the Physiocrats as well as with Holbach, d’Alembert, and Helvetius. After a couple of years in France, he returned to London and then to his hometown of Kirkcaldy, where he lived with his mother, eagerly engaged in his work on economics, which was not completed until some nine or ten years later. It was published in 1776. The full title of the book was *An Inquiry into the Nature and Causes of the Wealth of Nations*. The success was great and immediate. Adam Smith had the pleasure of seeing several of his dearest ideas turned into reality already during his lifetime. He had frequent conferences with William Pitt, England’s prime minister and the leading statesman. The following anecdote may serve as an example of the extraordinary reputation he enjoyed. [204] Smith arrived a little late for the dinner where the prime minister was also present. The moment he came into the room, the whole company stood up. Smith asked them to sit down, but the prime minister replied: “we intend to stand until you sit down, because we are all your disciples.” On another occasion Smith proclaimed: “What an extraordinary man he [Pitt] is, he understands my ideas better than I do myself.” What these ideas were, is a question I shall not enter into here. They hardly belong to the history of philosophy, and are, in their main features, very familiar to anyone who has even a little familiarity with the theories of economics. The deep impression this work of economics made on contemporaries and the immediate posterity is manifested in a letter a German student wrote to a friend the evening before the Battle of Jena, when Napoleon stood outside the city gates. Because of Adam Smith’s *Wealth of Nations*, he wrote: “Next to Napoleon Adam Smith is now the mightiest monarch in Europe.”

A few years after the completion of the aforementioned work, Smith moved to Edinburgh where he obtained a job at the customs office. His biographer Dugald Stewart laments that this great man was drawn away from science by practical considerations. But his work at the customs office was also relevant to economics; for it is certain that many of the most instructive additions to *The Wealth of Nations* would never have been written if Smith had not had this practical experience to draw upon. For the rest, it gave him great social satisfaction through

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11. The original printing of this anecdote is as follows: “No, we will stand till you are seated, for we are all your scholars” (Kay 1842, 1:75).
12. Westermarck’s source here was likely Rae (1895, 405), who cites Pellew (1847, 1:151).
13. Westermarck’s source was evidently Hirst (1904, 234), who identifies the German student as Alexander von der Marwitz but does not provide a source for the quoted remark.
the income it provided. Like Hume, he was a great friend of company, dinners, and guests. At his house, which was one of the finest in Edinburgh, the whole intelligentsia of the city congregated, and his Sunday dinners lived long after his death as grateful memories. In London, he had belonged to several dinner clubs, and in Edinburgh he was involved in the founding of a similar club, the so-called Oyster Club; however, this must not be interpreted as if the great national economist was a worshipper of the material pleasures of the table; it is asserted, on the contrary, that the only thing for which he had a real passion was sugar cubes. But the people of that time in England and Scotland understood the value of the kind of conversations that come most easily at the dinner table with good wine. After some time of illness, which he bore with the same courage and self-control as his previously deceased friend Hume, Adam Smith died in 1790. Like Hume and many other philosophers, Adam Smith refrained from marrying, without this seeming to have made any inroads on his happiness in life. In the next lectures, I will give an account of Adam Smith’s ethics.

Lecture II [207]

In my last lecture I dealt with Adam Smith’s life and literary activity with a promise to return and give an account of the essential content of the work by which Smith occupies a place in the history of philosophy, namely, *The Theory of Moral Sentiments*, which stands worthily by the side of his other great work on the causes of wealth of nations. But ladies and gentlemen must be prepared, for it is not easy to produce a summary which does Smith’s moral psychological theory full justice. His work contains a great number of extraordinarily fine observations concerning the details and many examples that aptly illustrate his theories, and there is no room for all this in the summary. But I hope that at least some of you will familiarize yourself with the work. It would be very appropriate for those who know English to read the work in your advanced studies.

Adam Smith’s theory of the moral emotions adheres in important points to the teachings of some earlier Scottish moral philosophers. We have seen that the English-speaking moral philosophy during the Enlightenment arose in essentially different forms. We have the intellectualist tendency represented by Cudworth, Clarke, and Wollaston, according to which moral judgments are based on acts of reason. These judgments, according to them, express moral *truths* just as our mathematical judgments express mathematical *truths*. According to another tendency, moral judgments are based on feeling. This includes Shaftesbury, Hutcheson, [208] Hume, and Adam Smith. According to Shaftesbury, we perceive the good with a special reflective feeling, “reflex affection,” that arises when we
reflect on the instincts or tendencies and find that they are in harmony; this harmony is what virtue consists of; and this emotional faculty is the same as the moral sense. Shaftesbury, however, did not concern himself to any great extent with this moral sense—his primary task was not to investigate the origin and nature of moral judgments, but to establish the objective characteristics of virtue. In contrast, the moral sense became the cornerstone of Hutcheson’s philosophy.

According to Hutcheson, moral concepts are derived from the fact that certain actions produce immediately within us pleasure and others immediately pain. We feel pleasure when observing a virtuous action and pain when witnessing a vicious action. And this is because we possess a specific moral sense, which is sui generis and cannot be explained by means of other faculties. Hutcheson did not give a clear answer how this moral sense should be understood, but it is nevertheless clear that it is the tendency to feel pleasure or pain when observing certain actions, and thus the moral sense works through emotional expressions. In Hume’s ethics, we no longer find a moral sense as a specific attribute of the soul, sui generis. The moral sentiments are not attributed by him to any feature of the soul, they are not irreducible. Moral approval is assumed by Hume to be based on sympathy. Morality has evolved in social life; people’s moral judgments about other persons are more original than their judgments about themselves, i.e., conscience, which also is a product of sympathetic feelings which have their prerequisite in social life.

Adam Smith agrees with Hutcheson and Hume that moral judgments are based on feeling, not reason. But he does not assume, like Hutcheson, the existence of a moral sense that would be sui generis and irreducible. In this respect, he agrees with Hume, and for him as well as for Hume, moral judgments are based on sympathy. But Adam Smith was not on that account a reiterator of Hume’s moral psychology but advanced his own theory, partly built on Hume’s but partly also in conscious opposition to him, and in any case perfected that which his predecessors only hinted at.

Smith begins his work with an analysis of sympathy. People, says Smith, have an inborn instinct to imitate the expressions and gestures of others. When people see an acrobat balancing on a rope, they involuntarily move and balance in a similar way as the acrobat does; if someone sees another laughing, he is infected by the laughter, and a sad face produces a similar expression in the spectator. But it is not only the external gestures and expressions that we have a tendency to imitate: the spectator also feels similar emotions as the person being observed. When he sees another person laughing, he not only begins laughing himself, but also experiences the feeling of joy which is manifested in laughter. Not even the most selfish person can avoid feeling, at least under certain circumstances, similar emotions as their fellow human beings. And yet our sympathy with the joy or sorrow of others
is quite imperfect if we only observe its expression without knowing its cause. When we hear a person wailing, we rather experience a curiosity to find out what the matter is about, alongside the tendency to sympathize with the person wailing, than an actual feeling of sorrow. For us to feel lively sympathy for the feelings of our fellow human beings, we must know the cause of their joys or sorrows. The beggar’s wooden leg evokes more pity in us than his troubled face. It may happen that we feel sympathetic joy or sorrow, even though the person does not seem to feel it himself: we place ourselves in his situation and experience the emotion we would feel in the same situation. It often happens that we blush with shame on behalf of another person, although he himself seems to be completely untroubled.

Smith emphasizes that we do not sympathize just as easily with every sort of feeling in our fellow beings. Thus, we proceed with greater difficulty in another’s feeling if it arises from his bodily condition than if it arises from his imagination—thus more easily with hope and fear than with physical desire and pain. Toothache and gout are very painful, yet they excite comparatively little sympathy, whereas dangerous diseases, though accompanied by little pain, arouse a much stronger degree of sympathy. Smith further emphasizes that we sympathize more easily with things that evoke pleasant feelings than with things that evoke unpleasant feelings—more readily with cheerful people than with sorrowful people. This, he says, certainly seems to be contrary to the general opinion, according to which it is precisely grief that arouses our compassion more easily than the joy of others. But if this is the case, it is only because the happiness of others arouses our envy, which works as a barrier to sympathy. If envy does not raise its head, we are more inclined to sympathize with joy than with sorrow. Why are we ashamed to cry in front of others, but not ashamed to laugh? Precisely because we have a feeling that the spectators sympathize much more easily with our laughter than with our tears. Our sadness at a funeral is often somewhat affected, a requirement of decency. But our joy at a happy event, such as a wedding or a newborn-baby party, is natural and free. And when we express our sympathy for our friends in their sorrow, how small is our sympathetic sorrow in comparison with their own? It seems that nature, when it burdened us with our own sorrows, considered these of our own a sufficient burden, and therefore did not command us to share the sorrows of others to a greater degree than is necessary to help them in their need. Small misfortunes often arouse hilarity in the spectator, while great happiness easily arouses envy. However, great sufferings and small joys are always sure to arouse our sympathy.

From his analysis of sympathy, Smith proceeds to his theory of morality, which is based specifically on sympathy. When we observe the actions of others, we have a tendency to place ourselves in the same situation in which they find
themselves: we experience a feeling of how we ourselves would have acted in the
same situation. At the same time, we also experience a reflection of the agent’s
frame of mind and more or less accurately understand the emotion which provided
the motive for his action. We approve of the action when the emotion we imagine
we would feel in the same situation corresponds to the agent’s emotion. On the
other hand, we disapprove when the emotion we imagine we would feel differs
[211] from the emotion that motivates the agent’s action. This sounds a bit
complicated, but I will illustrate it with an example. When I see someone giving
alms to a beggar, I experience the feeling of charity towards the beggar and imagine
that the motive for the agent’s almsgiving was also the feeling of charity. Here we
have a correspondence between my emotion and the emotion I assume to motivate
the agent’s action, and I approve of the action because of this correspondence. In
short, we approve of the action when we sympathize with the agent’s motive, and
we disapprove when we do not sympathize with his motive. It must be counted to
Smith’s credit that he emphatically brought out the agent’s motive as the subject of
moral judgment; Hume had fastened himself too much on the external act and its
consequences.

However, there is more to Smith’s moral theory than this. When we observe
an action, we put ourselves in the agent’s place, but we also put ourselves in the
place of the person who is affected by the action. If I see a person giving alms to the
poor, I put myself in the position of the giver, but I also put myself in the position
of the receiver, i.e. I feel as if I were the recipient myself, and I experience an
emotion of gratitude. I sympathize [212] with the agent’s motive on the one hand
and with the recipient’s gratitude on the other, whether real or imagined. This leads
to a final moral judgment, and nothing can interfere with the approval I feel via
sympathy for the actor’s motive. In the case of benevolent affections, this double
sympathizing strengthens our emotions and the approving final judgment. If I am
witnessing a noble act, my emotion of approval or admiration increases, because I
not only sympathize with the agent’s motive but also have a fellow-feeling or share
the gratitude experienced by the object of the act—more precisely, I experience a
reflection of the gratitude I would feel if I were the object of a noble deed (it may
well be that the poor man does not experience any gratitude, but this does not affect
the emotion assume I would feel if I were in his place).

But the judging observer can also find himself in a more difficult position.
This is the case when the action does not spring from benevolent passion but
malicious passion, the emotion of resentment. Suppose I see a person hitting
another. I put myself in his situation. It may happen that I am inclined to sympa-
thize with the motive of this action, it may happen that I feel I would have acted
the same way, because the person being hit gave reason for indignation. But when
I situate myself in the position of the person being hit, it may happen that his pain
also arouses my sympathy. Here arises a conflict, and the final judgment is the result of weighing both these sympathetic emotions. Then thus the moral emotions depend not only on the spectator’s tendency to sympathize or not with the agent’s motive, but also [213] on his tendency to sympathize with the emotions of the person acted upon. And through the latter, the moral emotions come to bear a considerable resemblance to the emotion of resentment or gratitude experienced by those who are the object of an act.

I consider for my own part that Adam Smith’s foremost merit as a moral psychologist is that he tied moral approval to gratitude and moral disapproval to resentment. In this way, they are not only feelings of pleasure and pain, but emotions with a strong conative element. Resentment means a desire to inflict pain on someone who has inflicted pain on another, and gratitude a desire to produce pleasure in the person who himself was the cause of pleasure. They are retributive emotions; and this is also the case with moral approval and disapproval. The moral emotions are also retributive emotions, and moral approval is akin to the emotion of gratitude and moral disapproval to resentment.

This significant circumstance, that the moral emotions are closely related to resentment and gratitude, had already been hinted at before Adam Smith. This had been done by the English associationist psychologist David Hartley, who says that resentment and gratitude are “intimately connected with the moral sense.” And already some thousand years ago the Greek thinker Polybius made the following notable statement: “If a man has been rescued or helped in an hour of danger, and, instead of showing gratitude to his preserver, seeks to do him harm, it is clearly probable that other people will be displeased with and resentful of the ungrateful one, since they sympathize with the helper and imagine themselves in his place. Hence arises the general notion of duty, which is the beginning and end of justice.” This statement clearly anticipates one important or even the most important aspect of Adam Smith’s moral theory, but it does not diminish the importance of Smith’s work. For he was the first to make the retributive nature of moral emotions the cornerstone of the theory of moral sentiments.

Those of you who read my own work on moral concepts shall notice the

14. Westermarck, even in his written English, uses the term “retributive emotions” in a broad sense to denote both positive and negative emotional reactions. Moral approval is a form of “retributive kindly emotion,” and moral disapproval or indignation is a form of “resentment” (Westermarck 1906, 21).
15. The Polybius quotation is found in The Histories of Polybius, Book VI: Origin of Morality and Rule (1889, 1:462). Westermarck’s representation is not misleading but for the record I reproduce the quotation: “If a man has been rescued or helped in an hour of danger, and, instead of showing gratitude to his preserver, seeks to do him harm, it is clearly probable that other people will be displeased with and resentful of the ungrateful one, since they sympathize with the helper and imagining themselves in his case. Hence arises the notion in every breast of the meaning and theory of duty, which is in fact the beginning and end of justice.” The passage is also quoted by Westermarck in The Origin and Development of the Moral Ideas (1906, 42).
crucial role I assigned to the retributive character of the moral emotions, how much of the different expressions of moral consciousness can be explained by this, and that the general moral concepts derive their content from it; why the subjects of moral judgments are what they are is the result of the retributive nature of the moral emotions. Retributive emotion is a friendly or hostile attitude of mind towards a person perceived as the cause of pleasure or pain, and a person is perceived as such if the effecting of pleasure or pain has its basis in his will.

Adam Smith argues against Hume that the approval which virtue arouses cannot be a feeling of the same sort as approval we accord a well-built house, and when we praise a person’s morals we must do it in fact on other grounds than when we utter our delight over comfortable furniture. Moral approval [215] and disapproval are not simply aroused by everything that is useful or harmful, but they are emotions that are aroused by human acts of will. Why this is the case was a question Hume did not answer, nor did he meddle with it. Nor did Kant, who wrote the much admired but rather simple sentence that “nothing but the will can be good” without trying to explain, or not being able to explain from his standpoint, why only the will is good. The retributive nature of moral emotions thus throws light, in my opinion, on the deepest shafts of the moral consciousness, and that is mainly why I appreciate Smith’s work so highly.

But although the moral emotions are closely akin to resentment and gratitude, they are not identical. When we pass moral judgments on the actions of others, our judgments depend, at least in part, on our sympathy or lack of sympathy with the emotions of those most closely affected by the action. We pass our judgments as impartial spectators. It was clear to Adam Smith that the retributive emotions which can be called moral emotions have to be disinterested and impartial, and thereby they differ from ordinary anger and gratitude, which are not impartial in character. And this disinterestedness and impartiality arises through sympathy we experience for the person affected by the action, sympathy with his emotions.

The impartial spectator also appears in Smith’s theory of conscience. He agrees with Hume, and with good reason, that our first moral judgments do not concern ourselves but other people, whose actions we observe as impartial spectators. But we also soon learn to observe and judge our own actions as if we were external spectators of our own conduct. [216] We divide ourselves into two persons, as the spectator and the agent, and the inner spectator continues to be only a representative of the external spectators. However, we naturally grant him more information about ourselves than other people can possess. Thus, we consider him as an inner judge whose superior wisdom and righteousness we may invoke when the environment judges us shortsighted and unjustly. This inner judge is the conscience, which Smith calls the representative of God within us.
Falckenberg emphasizes that Adam Smith’s impartial spectator is a precursor to Kant’s categorical imperative.\(^\text{16}\) Even Kant, in his own way, stressed the impartial character of moral judgments, but this property in moral judgments is due to a circumstance which Kant does not even notice, namely the psychological nature of the moral emotions. Kant derived the moral judgments not from emotions but from practical reason, but I have no doubt that the real foundation of his categorical imperative lies in the impartial character of the moral emotions.

I have been able to present only the main points of Smithian ethics, omitting many extremely interesting details. I could add a criticism of quite a few points in Smith’s theory. It suffers\(^{217}\) from unclarity and lack of precision. The conception of a duplicated sympathy, with on the one hand the motive of the actor and on the other gratitude or resentment of the person who is affected by the action, is of doubtful worth. It seems to me that the moral emotions arise through a much simpler process. Our retributive moral emotions are surely due in great measure to the motive we ascribe to the agent, but I cannot believe that in general we put ourselves in his place and reproduce the act, with ourselves as the agent, in the complicated way Adam Smith seems to assume we do. Also, Smith’s description of our sympathy with the person who is the object of an act is insufficient as an analysis of the retributive moral emotions. There are many expressions of moral emotions in which sympathy with the pain or pleasure of others plays no role at all. Many moral judgments are based on instinctive aversion or disinterested likings. For example, the condemnation of certain sexual acts, such as incest, is founded on the instinctive aversion they arouse. Finally, Smith has not shown how one gets from the moral emotions to the different moral concepts, and in particular as far as the concept of duty is concerned, he is not clear that it is grounded on the emotion of disapproval, not approval. But because this is about Adam Smith’s *Theory of Moral Sentiments*, I prefer to dwell upon the points in which I have learned from him rather than the points on which I depart from him. I recognize with gratitude that of all moral philosophers or moral psychologists there is none from whom I have learned anything like as much as from Adam Smith.

References


\(^{16}\) Westermarck refers to the German philosopher Richard Falckenberg’s *History of Modern Philosophy from Nicolas of Cusa to the Present Time* (1893/1886).
Edward Westermarck (1862–1939) grew in an academic Swedish-speaking family in Helsinki, Finland. He became, at the London School of Economics, Britain’s first professor of sociology. Very famous in his own day for taking an evolutionary view of marriage and morality, he published (in English) many works: *The History of Human Marriage* (1891), a critical success and a bestseller, quickly translated into many other languages; *The Origin and Development of the Moral Ideas* (1906; 1908); *Marriage Ceremonies in Morocco* (1914); *Ritual and Belief in Morocco* (1926); *Ethical Relativity* (1932); and *Christianity and Morals* (1939). He also taught philosophy in Finland, in Helsinki and Turku.
Foreword to the Three-Part Exchange on the Guilds and the Freedom of Labor

Benoît Malbranque

Vincent de Gournay (1712–1759) holds a special place in the history of classical liberalism in France due to his lifelong activity against the guilds system and for the freedom of work, his laissez faire, laissez passer stance generally, and his influence on major figures such as A. R. J. Turgot. Although he was a prolific author according to those who knew him personally, he published almost nothing, and, tragically, died early, at the age of 47. On the freedom of work, historians must draw from his administrative correspondence and occasionally from short memorials written to convince fellow members of the Trade Office (Bureau du commerce).

The memorial on guilds, written in 1753, and addressed to the Chamber of Commerce\(^2\) of Lyon (Mémoire sur les communautés de métiers adressé à la Chambre de commerce de Lyon), is one of these surviving documents. In it, Gournay argues that the guild system is non-sensical, unfair, and detrimental to the prosperity of a city like Lyon. Found in the archives of the Chamber of Commerce of Lyon, a manuscript of the text was used by Gustave Schelle in his 1897 book Vincent de Gournay and published several times since in its original French.\(^3\) (That manuscript is posted at Institut Coppet here.) A second manuscript of the memorial was found much later in private papers stored in the municipal archives of Lyon. I have used

\(^1\) Institut Coppet, 75007 Paris, France.
\(^2\) The chambers of commerce, composed of selected merchants and manufacturers, acted primarily as counsels.
\(^3\) Schelle 1897, 113–132; Sécrestat-Escande 1911, 137–156; Gournay 1993, 13–26; Gournay 2017b, 35–49.
this second manuscript as my primary source, while mentioning major variations, for reasons that I will explain. (This second manuscript is posted at Institut Coppet here.) Neither manuscript has previously been translated into English.

A reply had been made by the Chamber of Commerce of Lyon, refuting arguments put forward by Gournay, and the manuscript was similarly found in the archives of the Chamber of Commerce of Lyon, and later published, in its original French (Sécrestat-Escande 1911, 157–172). (The original French version is posted at Institut Coppet here.) Again my translation here is the first into English.

Gournay then responded to the Chamber of Commerce, producing another memorial. Until the end of the 19th century this response from Gournay was believed to have been lost. And so, in a sense, it was and remains. But in another sense it was not.

In 1899, a Finnish public figure and intellectual, Henrik Gabriel “Heikki” Renvall, published a book (his doctoral thesis) on late-18th century economic thought in Sweden and Finland, focusing on how Swedes and Finns were influenced by the Physiocrats. In the book Renvall mentioned the existence of a Swedish translation of two memorials by Gournay, published in Stockholm in 1756. Thus, Renvall in 1899 dug up a very slight Swedish book, consisting of two Gournay memorials, that, it seems, had been essentially unknown to French scholars and researchers for some 140 years. The title of this short book was Tvänne Memorialer angående Frihet i Handel och Slögde-Näringar: öfversatte ifrån fransyskan (Two Memorials on the Freedom of Trade and Industry: Translated from French). The 1756 Swedish translation was believed to have been done by Karl Frederik Scheffer (1715–1786).

The second of the two memorials, that is, Gournay’s response to the Chamber of Commerce, was—in 1899—something of a rediscovery. Thus, Renvall informed Gustave Schelle, author of Vincent de Gournay (1897), and even sent him a French translation—that is, a French translation of a 1756 Swedish translation of the Gournay rejoinder in French. Schelle published an account of it in a 1901 issue of the Journal des économistes, but went no further, and his precious manuscript (that is, his French-from-Swedish-from-French manuscript) was then lost. New attempts (by me) at discovering it, in private and public archives, as well as in the Otaru University of Commerce Library, in Japan, where Schelle’s remarkable library is now stored, have failed.

Therefore, the second memorial by Gournay, his rejoinder to the Lyon Chamber of Commerce, on the issue of freedom of labor, has been almost entirely unknown, even to French readers. But thanks to the translation made here by Jens Grandell and Klas Eriksson, we are able to offer it for the first time to readers outside of Sweden. Drawing from both the Swedish and the subsequent English translation, as well as from the original French of the first two parts of the debate,
I then recreated as faithfully as possible a French version of Gournay’s lost reply as I think it would have been phrased by Gournay himself. So, 270 years hence, Gournay’s lost second memorial, after having gone from French to Swedish to English, is now again in French! This new French recreation is now posted at Institut Coppet: “Deuxième mémoire (inédit) sur les corporations et la liberté du travail” (link).

In his first memorial, Gournay provided a devastating critique of guilds, and pushed for complete freedom. In the second, however, trying to obtain actual reforms, in the face of the fundamental opposition of the Chamber of Commerce of Lyon and other official bodies—not to mention the guilds themselves—he adopted a more conciliatory tone. Agreement could be found in a middle ground, he thought. Just like classical liberals of our own day and age, abolitionist in their study room, find the need to compromise in their public discourse, Gournay evidently decided that another tone was now necessary. He had proved, in the first memorial, just how flawed the whole system was; now, making “the distinction between the approval of a principle and the means to use in order to implement it,” he was arguing in favor of smaller gains. “We must not be bound by old customs,” he wrote, “but rather advance step by step, without losing track of the main objective.”

Yet, to understand today both his general critique of guilds in the first memorial, and the reforms he was advocating in the second, one must be able to appreciate the nature and practical effects of this system, maintained in France for some seven centuries, and prevalent throughout Europe in a more or less similar form. Let us, then, consider one single example. To depart only slightly from Adam Smith’s famous example, I note that in Paris a special guild existed for needle makers. The existence of such workers dates back at least to the 13th century, but their first guild statutes, nonetheless, are from 30 January 1556. At this point in time, to become a master needle maker (aiguiller) four years of apprenticeship were required, before an examination known as the chef-d’œuvre (masterpiece). To further restrict competition, the guild of needle makers introduced a regulatory provision forbidding any master from training more than one apprentice at a time. Over time, the access to guilds in general became more and more difficult, and indeed, according to their statutes from September 14, 1599, one now had to spend three years of companionship in addition to the prior five years of apprenticeship: that is eight long years before having the right to make needles. In this absurd regulatory framework, the growth of this sort of craft was impossible: one century later there were only half a dozen needle maker masters in Paris. Suffering from the competition of England, their very existence was threatened; they united with the proper épingliers (pin makers) in 1695. Later in the 18th century, épingliers and aiguilliers were joined by aiguilletiers and chaînetiers, in a strategic move to avoid
bankruptcy and to grow stronger in view of the numerous legal proceedings against other guilds, on the exact boundaries of each craft’s monopoly.

The critique made of this regulatory system by Gournay was comprehensive and abolitionist. Gournay was advocating for a complete freedom of work with, in addition, free immigration of workers, who would contribute to the national prosperity.

During his term in the Trade Office, Gournay spent a great amount of time helping destitute workers obtain the right to make a living from their craft, despite the guild statutes blocking their way. His papers are filled with pleas made on behalf of apprentices who, for example, were not born in the city; Gournay then alleged that their father was born in the city, or that their brother was currently employed there; all very moving arguments, that had nonetheless no basis in law, even if true. Another time, he invoked the intention of a Swiss worker to recant his Calvinist faith, in order to obtain for him the title of master without apprenticeship or companionship, and even without paying any registration fees due to his being poor.

In 1757, four years after the exchange presented here, as a member of the Academy of Amiens Gournay put forward the topic of a contest to be held “on the obstacles that guilds placed in the path of industry, on the advantages that would result from their abolition, on whether the financial help provided by guilds to the government was useful or detrimental, and on what would be the better way to abolish these bodies” (Clicquot-Blervache 2017, 24–25). The winner was Simon Clicquot-Blervache (1723–1796), who benefited from the help of Gournay and who had Gournay’s manuscripts at his disposal; in fact one finds many instances of direct inspiration, or agreed plagiarism. Clicquot-Blervache’s important book was later used by another associate of Gournay, the abbot Gabriel-François Coyer (1707–1782), who published in 1768 a plea for the complete freedom of work in the form of a short novel, Chinki: histoire cochinchinoise applicable à d’autres pays (Chinki: A Cochinchinese Story, Applicable to Other Countries), which was republished by Institut Coppet (Coyer 2013). Coyer made an extended use of facts and figures found in the Mémoire sur les corps de métiers authored by Clicquot-Blervache; but we know from the public correspondence of Gournay that he was gathering information to strengthen his advocacy for freedom. Therefore, arguably, the source of Coyer was ultimately Gournay himself.

4. Letter from Vincent de Gournay to Flachat de Saint-Bonnet, 13 June 1752 (Gournay 2017b, 169); letter from 14 February 1757 (ibid., 240–241).
5. Letter from Vincent de Gournay to Flachat de Saint-Bonnet, 10 March 1756 (Gournay 2017b, 232).
7. See for example the letter to Flachat de Saint-Bonnet from 24 May 1752 (Gournay 2017b, 167–168).
From the beginning of the 1750s, up to the year 1776 and the abolition of guilds (an abolition that turned to be only temporary) by Turgot, who was Gournay’s pupil and friend, Vincent de Gournay was the most prominent figure in the defense of freedom of labor in France. A translation of his second memorial on the topic, previously only available in Swedish, was long overdue. May it bring to the public’s eye both the spirit of just abolitionism and the honest spirit of consensus, both exemplified by Gournay, who experienced so many of the challenges, and embodied so many of the virtues, of classical liberals today.

Notes on the texts

As mentioned previously, there are two separate manuscripts known for the first memorial by Gournay on guilds and the freedom of labor. Ms. 1 was found in the archives of the Chamber of Commerce in Lyon. It has a sort of legal authority, reassuring for historians; also, it was published in the original French several times and is therefore widely known. Ms. 2, found in private papers, in the municipal archives of Lyon, was rediscovered very recently; it was reproduced in print in 2011 (Charles et al. 2011, 333–343).

While, where they match up, Ms. 2 differs only slightly in phrasing from Ms. 1, it contains two substantial additional segments. Those two additional segments are both powerful and interesting in terms of authorities quoted—Pieter de la Court (the author of a book that was said to have been written by John de Witt) and Josiah Child. The two additional segments are very much in line with other known writings of Gournay. The authenticity of this additional content can now be further demonstrated, since it appeared as well in the Swedish translation of 1756. In presenting the long passages from De la Court and Child, I use Child’s own original English and the English of the original translation of De la Court, because Gournay had first-hand knowledge of this literature (he published a translation of Child the very next year) and secondly because his translation is very faithful.

It is very likely that the manuscript used in Sweden (we shall name it Ms. 3) was very similar to Ms. 2, if not purely identical.

Below is a translation following Ms. 2; I indicate the two substantial segments of text where the text expands from Ms. 1.

The translations of all three parts of the exchange suppress archaic capitalization.

In translating into English this text, as well as the reply to it made by the Chamber of Commerce of Lyon, I have tried to remain as faithful and as close to the original as possible. As for the translation from Swedish of Gournay’s second memorial, Jens Grandell and Klas Eriksson have likewise aimed to remain faithful
to that Swedish presentation, while making judgments in light of the fact that the Swedish text is itself a translation.

Text in parentheses (like these) are Gournay’s own parenthetical remarks. All footnotes are by the respective translators unless otherwise indicated. Text in brackets [like these] are likewise of the respective translators, unless otherwise indicated.

On behalf of myself and my Nordic collaborators: Our thanks go out to Björn Hasselgren for his insight and support of this project, and to Sheilagh Ogilvie who kindly provided feedback on this Foreword and on certain word choices in the translations.

About the Author

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The ongoing discussions in the Trade Office between the various guilds of goldbeaters, guimpe makers, weavers and trimmers of the city of Lyon, do not only concern the commerce of this city, but also the well-being and benefit of the whole kingdom, and therefore one should study their root causes with the greatest care.

The origin of this division lies in that of the guilds themselves. Indeed, how could we have believed that the separation of many occupations all related to the making of cloths, and all depending upon each other, would not lead to a constant war between them, and to their attention being drawn from the perfection of their trade, and directed to the means of destroying each other and the whole commerce of Lyon by implication.

Yet such is the spirit that has animated these guilds, and one finds in the registers that they have held since their very beginning the proof that the natural enemy of a guild is every other guilds, that trials [in court] between them date from the time of their first establishment, and that legal proceedings is a sort of business that they have come to master as much as their own.

But before getting into the substance of the demerit of guilds in general, let us recall their origins and examine whether their separation and their statutes have been made with the interest of trade and common welfare in mind, or whether this division is only grounded in personal interest.

At the time when the silk factories went from Italy to Lyon, they were
presumably operating under a free system; without this freedom, they would not have been able to settle in Lyon and to flourish in this city as they did.

The progress that they made under the protection of the king Francis I having greatly increased the number of workers employed in the various arts related to the making of cloths, and these workers, believing that the supplementary workforce was making the labor less valuable for those who were currently employed, designed a system of guilds, by which the access to the trade was made more difficult to those aspiring to find in it the source of their livelihoods, and in which workers occupied with a separate branch formed a particular class or community; from that moment on, one was expected to undergo a series of trials and two separate training periods, known as apprenticeship and companionship, before being able to work.\(^2\)

All this hassle, creating delays before one could obtain the title of master and learn the trade, was making it easier for old masters to increase the price of fabrics; and by diminishing the zeal for work in this particular occupation, it resulted in fewer products, and more expensive, thus more profitable for those who were currently in the position of making them.

After deciding between themselves such rules, only grounded in their own self-interest, the various cloth makers petitioned the government in order to obtain their confirmation. This was all the easier to obtain, when government, which had no understanding of commerce, was told that this request, made for the benefit of each guild, was in the public interest and for the greater benefit of trade in general. Since this particular branch of the national economy was flourishing, government was easily convinced, and thus it gave guilds a confirmation of their statutes and internal regulations, without considering the sort of monopoly that these guilds were obtaining against the general public.

This dates back to the time of Henry II, Henry III and Henry IV, at a time of internal strife, and when the principles of commerce were all the more unknown, that the only competitors that we had then in clothmaking, were the Italians, from whom we had taken it. Perhaps government was eager to see these guilds being erected, because resources could be obtained from such rich bodies. And indeed, in pressing needs, government has always asked of them vast sums of money, when guilds were authorized to issue loans; and in providing funds, guilds never missed the opportunity to ask for new privileges, always for the benefit of their community, and always detrimental to the public. Government was all the more

\(^2\) In his remarks to the French translation of Josiah Child, Gournay similarly states that “it is in the guilds’ own interest to see the number of masters diminishing, and this is why they extend the term of apprenticeships and that it takes more time to become a goldbeater than to be received as a doctor in Sorbonne University; these lengthy training periods discourage potential workers” (Gournay 2008, 177).
willing to grant them these privileges, that they were seen as a compensation for the money they were asked to provide. Thus, both the needs of the government and the carefulness with which guilds ceased opportunity to increase their privileges, resulted in the putting under siege both the freedom of work and the national trade, by private bodies. One abuse leading to another, the subdivision were even increased: workers were deprived of the freedom to sell the product of their activity; it was said that to obtain the title of merchant, one had to purchase it at a very high price—yet another monopoly against workers, and placed upon the cloth, for one who needs to buy the right to sell a commodity is always forced to increase its price by an equivalent amount.

The worker, being unable to sell, and yet being constrained by the merchant, soon found himself to be superfluous. The solution, it was believed, was to reduce the number of apprentices that each master could train; yet this necessarily resulted, in the long run, in a reduction of the number of workers; they [the workers] were able to exercise a monopoly against masters and to undertake secret cabals to obtain an increase in their salary. And what happened? The price of cloth increased dramatically, taking an artificial value that would not have been observed if anyone were able to train as many apprentices as desired, and to work and sell freely.

Yet, our factories flourished in the midst of all these abuses, while we did not have any competitors. But in 1685, a number of our people, having moved to England, Holland, or Germany, transported their skills and our industry. It was all the more gainful for these foreign countries, since these workers were leaving behind them our guilds system, our masterships, our long apprenticeships and statutes, and brought only their industry in a free environment.

These new workers were received with open arms in every country in which they went to settle, but especially in England and in Holland. They gathered in great numbers in Canterbury and formed in London a district named Spittlefield [now, Spitalfields], where the most beautiful cloths of silk, gold and silver, were made. They were not asked whether they were masters, or if they had finished their apprenticeship; freedom was granted to anyone to make cloth, and in this

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3. This regulatory provision was not exactly new. As early as the 13th century, linen merchants (liniers) in Paris forbade masters to have more than one apprentice at a time, provided that, as they stated, “whoever would train more than one, would not make a move profitable to either the masters or the apprentices themselves, since it is enough of a burden for a master to train one alone” (Livre des métiers, title LVII, article 4).

4. Gournay, in his advocacy for freedom of work, often described a chief cause of emigration: “A man who learns a craft in a year or two, seeing that, if he wants to enter the profession, needs ten or twelve years of apprenticeship in addition, of which he has no use anymore, migrates to a foreign country where he is master instantly. Another one, who is asked 200 or 300 livres to be received master, also migrate to a foreign country, where he has the title for free” (Gournay 2008, 177).
free environment they trained pupils who soon outperformed their masters. Those who worked badly applied themselves on working better, in order to avoid ruin from selling cloths with a loss. Those who settled in Holland introduced the same improvements, working as they were in the same environment of freedom. Believing that an institution only flourishes under the principle that was responsible for establishing it, neither the English nor the Dutch have thought about implementing regulations or imposing titles of masters in their new factories, and indeed the people in Spittlefield and Amsterdam still enjoy the same degree of freedom that was experienced by the founders of their branch of trade. However, in England, laws were passed to forbid the entrance and use of our galloons, silk fabrics and threads of gold and silver, with the purpose of furthering the development of these new establishments. Under this protective measure, cloths became more abundant and came to be so common in England that this country, receiving up to 12 million of galloons of silk cloths in 1685 and before, now relied on domestic production, to the point that our exports have almost ceased; today we purchase some from them (British Merchant, p. 13).

New factories have multiplied similarly in Holland. Soon the Hollanders, who were importing every year 8 million worth of cloths from Lyon, Tours and Paris, which was later resold in Germany and in other foreign countries, almost ceased entirely to buy from us; they substituted their national production and today they can be found selling a great amount of cloths to our very country. (Recollections of John de Witt, page 229. London edition. There is reason to believe that the 8 million mentioned by John de Witt are 8 million of gulden, representing at least 16 million of livres; but my purpose is not to enlarge the figures, and therefore I shall confine myself to the number of 8 million of livres.)

Such heavy losses, incurred by the state and suffered even more by the city of Lyon, were soon felt. Each guild that saw its particular trade diminishing was convinced that the reason behind it must be that another guild had stepped out of its bounds and interfered with the sort of work that they had viewed as their own. Hence the division, the legal proceedings, and the additional burden on industry: for guilds had to argue their cases before judges, and who shall bear the costs, if not workers and manufacturers? and they in turn could only support it, by raising the price of cloths, which gave another disadvantage to our national production as compared to the production of foreign country, where labor happened with freedom and without legal proceedings: hence another increase in their trade, and a

5. Charles King, The British Merchant, or Commerce preserv’d (1721). Gournay is using the second (1743) or third edition (1748).
6. That is, Political Maxims of the State of Holland (1743), which was also published as The True Interest and Political Maxims of the Republic of Holland and West-Friesland (1746), by Pieter de la Court.
decrease in ours.

Foreign factories were growing more and more, and ours were diminishing in proportion: workers soon experienced a lack of activity, and they protested. It was believed that limiting the number of machines in operation, prohibiting the employment of foreign trainees, as well as foreign girls and women, and making it illegal to welcome a foreign apprentice—and foreign was taken to mean anyone who was born outside of the city of Lyon and its suburbs—would serve as a remedy. It was also forbidden, during five years, to train any apprentice, even someone born in the city. 7 (See articles 23, 24, 26 and 27 of the regulation on cloth making, dated 26 October 1702.)

Earlier regulations had even forbidden married apprenticed to be received: a disgraceful provision, which repels from factories the very people who need the most to work in order to provide for themselves and for their family. (See article 25 in the statutes of the guild of guimpe makers.)

What was the end result of all these regulations? It was to restrict the number of workers and manufacturers, to throw therefore the whole industry in the hands of a fewer number of people, and to give a better opportunity to workers to exercise a monopoly against manufacturers, and another to these manufacturers themselves against the general public, by raising the price of their cloths. 8

Yet, while the city of Lyon was following the greed of its guilds, trade was abandoning its shores and was flourishing in London and Amsterdam, where foreign workers, being welcomed and enjoying instantly the rights of masters and merchants, were causing the factories of both cities to prosper and the prices to fall, whereas the prices of our cloths, made by a smaller number of hands, were on the rise, for it is a maxim that the multiplication of hands causes the level of salaries to fall, and the trade to flourish.

Our trade fell in proportion with the rise of foreign factories; we soon had wars to lead, and the needs becoming more and more pressing, it was thought proper to use the resources of the guilds of Lyon: they were asked great sums of money; an imposition was raised on them, not as citizens, but as workers. Hence a

7. Such practice had become common. Since 1659, Parisian brush makers, for example, could only train an apprentice every ten years. In every instance, the guild had in mind the profits of its members, operating in a less populated and less competitive market. The 1704 statutes of embroidery makers of Paris even indicated that no apprentice could be taken as long as the number of masters in the city would not have reached 200 (they were 250 at the time); it further stated that once this number will be obtained, a master could only train an apprentice every ten years.

8. In Ms. 1 (that is, of Gournay’s first memorial), we read here this additional statement: “In the view of all these regulations, are we not correct to conclude that since we have commerce and industry in France, they [commerce and industry, that is] were seen as evils [by incumbent workers and manufacturers, that is] against which it is necessary to take precautions to avoid their growth?”. This statement is not in Ms. 2, nor is it in the Swedish version (see Gournay 1756, 19).
series of new loans by the guilds, and new reasons invoked to increase the fees of registration, apprenticeship, companionship, and mastership, in order to reimburse these loans. Thus the registration fees to obtain the title of master in the cloth factory were increased, from the level of 50 livres, and 20 livres for touring merchants, set by the regulation of 1667 (Art. 34 and 35 of the regulation of 1667). In our time—and the more recent the time is, the more the story is humiliating—a suggestion was even made to ask 800 livres for the title of merchant. (In 1744.) The manufacturers on whom these taxes have fallen, at first did not seem very anxious. They thought that to increase the fees of apprenticeship and registration to mastership and to the title of merchant would scare aspiring workers, and that consequently they would be in a better position to increase the price of their cloths; and that the monopoly that they were already exercising, and that they were allowed inadvertently to obtain at the expense of the general public, would only be more secure and more profitable for themselves.

Let us hear the language of these guilds, and we will see what sort of spirit is dominating them, and whether indeed the city of Lyon has perceived correctly where its interest lies, when approving so easily their agreements. Here is what the guimpe makers say in a deliberation dated 16 April 1736 (p. 166):9 “Yet, since the prohibition of apprenticeship, creating a profit in the community by the reduction in the number of masterships, etc.” What makes the delight of the guimpe makers, does it not bring the downfall and misery of the city of Lyon? In rejecting from its craft new apprentices and new masters, this guild rejects new citizens who would have contributed to the increase in population, the decrease in the price of labor, and the flourishment of the city’s trade, which on the contrary is placed in the hands of a reduced number of people who only have their private interest and their private fortune in mind when operating a decline in the trade of Lyon: this city, thus, has acted in opposition to its true interest in following the mindset of its guilds.

Our factories, placed in the hands of a few, constrained by monopolies that workers and manufacturers exercised against each other, with interests on debts needing to be paid, with registration fees on the rise, with long apprenticeships, were soon unable to compete with foreign countries where industry is free from these obstacles; the increase it [that is, the set of restrictions and impositions] produced in the price of our cloths ruined the sort of advantage that we possessed in terms of cheap labor, and thus the foreign producers were able to gain from their freedom and their lower interest rate, thanks to which they sell at 106 what cost them 100, and double the interest of their capital, when we must sell at 112 to obtain the same profit.

In such difficult circumstances, our manufacturers found no other solution

9. This “(p. 166)” is in Gournay’s original and refers perhaps to a large volume of this guild’s deliberations.
than the deterioration of their products and the reduction of the weight of their cloths. This deterioration was necessary to avoid products being overpriced, and it was all the easier to bring about, that the industry being operated by a small number of manufacturers, who all had the same interest, an agreement was not long to reach. Complaints were made, relating to what was called abuse and unfaithfulness. It was believed that a solution could be found in a greater abuse still, in implementing regulations. Hence the famous regulations from 1737 and 1744 were imposed, the first one in 208 articles, the second with 183 articles. Such a large number of provisions could not but result in a great number of infringements, which increased the burden of workers and made their occupation a more displeasing one. Discontent was so prevalent, that foreign nations were informed of it. Dissatisfied workers were attracted by promises and rewards, which resulted in a new wave of migration of our workers in the direction of foreign countries, therefore increasing the number of our competitors and weakening our industry. And the result of this further establishment was to reduce once more competition at home and to raise once more the price of our labor and cloths, and thus to give new advantages to the foreign countries over us. It was so beneficial to the English, that they do not import from us more than 500,000 livres of silk and galloon, while they imported 12 million in 1685; and similarly, the Hollanders only import 1 million, while they imported 8 million back in 1688. If we further note that these two nations now export to us, what a shift this means in the balance of our trade; how can one argue, after this, that our trade is increasing and that we are gaining with every nation of Europe.  

[Ms. 2\textsuperscript{11}] We have noted earlier that regulations were nothing but an additional abuse which could bring neither the good nor peace that one was expecting; for far from multiplying the number of workers and manufacturers, which is the only means to expand clothmaking, regulations result in a further decrease of both of them. Besides, regulations are less effective in producing perfection than emulation brought about by freedom. Indeed, regulations set a goal that no one wishes to exceed; one does not wish to do better than what the regulation has set, for fear that this work and excess of perfection will not be compensated. Therefore, one is inclined to always remaining below the regulation. This reasoning becomes general: hence the complete weakening of the industry; whereas in foreign countries where there is no set goal, everyone ignoring the extent to which his neighbor is pursuing perfection, ensures that he carries it

10. “Gournay’s political economy is still obsessed by the competition with England and Holland, by ideas of commercial war and trade balance. It is certainly the most surprising feature of the works of this immediate forerunner of both physiocracy and classical economics” (Malbranque 2016, 117).

11. The next 6 paragraphs are only found in Ms. 2. They appear in the 1756 Swedish version as well.
himself to the best of his ability, for fear of losing his credit and to sell less effectively: hence perfection becomes general. But—some will argue—if we neglect regulations, we will fall into the most awful chaos: anyone will work as he pleases, we will witness nothing but abuses and unfaithfulness; our nation wishes to be conducted differently than others, our workers and manufactures are less trustworthy than those of foreign countries. We will reply that the principles of trade are the same everywhere, that competition and freedom will produce among us what they produce in foreign countries. We shall add that, in fact, we do not know the good effect that freedom of work will have on us, since we have never experienced it, the obstacles that we have placed upon our industry being as old as the manufactures themselves. We will answer also, to those claiming that our workers are less trustworthy than others, that it is the severity of our laws and restrictions that have made them so; that, in fact, those foreign cloths, of which we so loudly praise the perfection, will be made in London and Amsterdam by French workers, our own countrymen, who learned their craft on our soil. Can French workers only be trustworthy outside of their country? This idea is too mistaken and too insulting for France to deserve a further refutation.

A solid proof that a large trade can establish and maintain itself with no forced regulation, mastership, or apprenticeship, is that the English and Hollanders, when adopting our manufactures, did not adopt a single one of our regulations; and yet their industry is growing, whereas ours is diminishing and our manufacturers complain that in China and Bengal regulations and inspectors are unheard of, and that nonetheless these two countries flood Europe with their cloths. Will it be claimed that we are less trustworthy than the Chinese?

But—some will also say—Mr. Colbert has made regulations. The regulation of 1667 on silk cloths was made at his time. This is true. However, in 1667, there was no silk factory in London and in Amsterdam; along with Italians we were providing all Europe with silk; thus, our trade being satisfactory, we did not consider reforming abuses that were becoming insignificant while we were almost sole traders, but which become harmful now that we have rivals all over Europe. Trade with many competitors is to be dealt with differently, than trade without many competitors.

Mr. Colbert also enacted the regulation of 1669 on linen manufacturing, but it was with the aim of teaching us how to make them well, and this craft we did not possess; but now that we have the knowledge, this regulation should only be maintained as a model of good fabrication, without forcing workers to abide by it, for fear of sanctions. This is what the English have done: after having obtained fabrication standards from the Flemish, their first masters, they have let them fall into disuse, so to speak, once they became themselves the first and best producers of woolen cloths in the world. One recruits a master to learn how to read, and
dismiss him once one knows how to read.

The fear of abuses has done more harm to our trade, than all that we call abuses could ever have done. Because of this fear, we have always loaded trade with constraints, and in a sort of infancy, whereas being in complete freedom in foreign countries it has grown and flourished. It is possible that some will abuse freedom and produce flawed cloths, but those who will act in this way will be soon punished, since they will not find consumers, and they will change their behavior among us as well, as they did in England and Holland.

This idea, that the best inspector is the need for a worker making cloth to find a consumer, has never been accepted in France. Yet, if a sort of cloth finds consumers, it is very good; all the regulations in the world may say otherwise, we will maintain that it is very good, for it provides his livelihood to the worker responsible for making it, put him in a position to pay the King, as well as the raw material, and brought also to the farmer his livelihood and helped maintain the land's value. Besides, nothing is perfect in this world. But the fear of some disadvantages, which will disappear in the great sum of advantages for the nation, should not prevent us from extending our trade to the fullest extent, and this can only be achieved by granting our workers and manufacturers with the same freedom that they enjoy in other competing nations. There is no gust of wind that does not result in the English losing ten boats, when we only lose one. This is a disadvantage of a large marine; but it will never be a reason for them to reduce their marine. Similarly, the fear of a few abuses should not be a reason for us to restrict our trade and in so doing to increase the number of useless and lazy people among us. It is a self-evident maxim that a country is only populated in proportion to the employment that people can find. Therefore, if constraints on our industry deprive our people of their opportunity to work, are we not effectively expelling them from our country, and forcing them to find employment in foreign countries, and is it not ultimately debasing the value of our lands and making them uncultivated? [Ms. 2¹²]

If one thousand Genoese were to choose to settle in Lyon today, what event could be more fruitful to the King, who would obtain a thousand new subjects, to our lands, which would have a thousand more customers, and to the city of Lyon, which would acquire a thousand more citizens. And yet, according to the existing statutes of this city, nothing of that sort would happen. The Genoese would be told: if you want to establish yourselves among us, you must spend five years in apprenticeship, five other years in companionship, and pay fees for it; after which, if you want to be made masters and obtain the right to sell your cloths, you will have to pay 400 livres each, because you are from a foreign country. The Genoese may

¹². End of the first of two segments of additional text found in Ms. 2 and translated as well in the Swedish version.
say that they already knew how to produce beautiful velvets, that they were even selling some to us before leaving their country; they may add that their craft is their only treasure, and that it is unfair to penalize them first, when they only want to work and contribute to the wealth of the state and the city: all of this will be useless, since one cannot be received master and get the title of merchant without 400 livres and ten years of training. The Genoese would return to their country puzzled, and with a curious notion of us; they would land on English or Hollander soil, and be rather surprised that at their arrival they would be both masters and merchants without having to buy this right and without being asked if they finished their apprenticeship or if they have even worked in what is called a regulated city. Can a man of good sense not see that the industry and trade must necessarily diminish in a country which rejects those who want to exercise it, and increase in those where everyone is welcomed to produce and trade?

This is not our sole disadvantage in comparison with foreign countries. Our monopolies and regulations mean that to an equal standard of quality, our cloths will be more expensive than theirs, although originally the price of our labor is lower in our country than it is in theirs.

It has long been recognized that long apprenticeships (15 years in the case of goldbeaters) and the provision prevalent in the city of Lyon to only receive workers who were born here or in the suburbs, has resulted in the reduction in the number of workers, which in turn made labor more expensive. When increasing the price of masterships, manufacturers have also reduced their number, and therefore found it easier to increase the price of their cloths and to pass on to their product their luxury and spendings, which was a cause of great rise in prices. That is to say, when gathering the commerce of the city of Lyon into the smallest number of hands, the goal is to increase profits as much as possible. But this can only be achieved through an increase in the price of the commodity.

One must observe also that, while it is widely recognized that raw materials must be free because duties paid on them increase fictitiously the price of cloths, the city of Lyon alone departs from this rule. A duty of 3 and 4 sols was placed on silk cloth, a duty that a foreigner who understood the spirit of commerce rightly abolished. (Mr. Law.) A mark costing 24 livres per weigh unit, and a refining fee of 20 sols per weigh unit, were also imposed on gold and silver products. In England and in Holland, one does not know what a duty of mark is; one refines the same unit of coins for much less than 20 sols. Yet, do silk and gold and silver products not qualify as much to the title of raw materials, as wool? However, wool does not pay anything in our country, and we maintain all the duties on the very raw materials that we need the most, such are silk and silver, and on the industry that foreign countries are most eager to take from us.

A silk worker in England and in Holland is not required to another
apprenticeship than the one he believes to be needed in order to be able to produce; nothing is mandatory, nothing is determined; as soon as he can produce he is a master and without paying anything. In times of needs by the government, nothing is levied on him as a worker, but as a citizen, and in proportion of his assets, and not in proportion of his industry; this is what, among us, makes the fate of the lazy man a more attractive one than that of the useful man. The foreign worker cannot pass on to his products [price increases that would be commensurate with] extraordinary taxation. Since there is no guild for silk cloths, he does not know just how many competitors he has; he is bound to frugality and economy, without which his cloths would be produced so expensively that he would not be able to sell them around competitors more economical than him. If he ever obtains a great fortune, it will be by extending his trade, and not by increasing the price of his products, which always leads to a decrease of trade.

What sort of regulation was so beneficial to England and Holland? Liberty and competition; and these two principles will certainly produce the same result among us; but for two hundred years, in France, under the pretext of fighting frauds and abuses in the making of cloths, we have only been busy indeed making the occupation of manufacturing more difficult and more unpleasant, and to place it into the hands of a reduced number of workers, without understanding that the greatest abuse is to reject men from work and to deprive the state from the fruit that would come of their labor.

When there is an enemy to be fought, one studies the strengths and disciplines that made him victorious, and what was in turn our shortcomings. Although French workers have introduced our factories in Holland and England, they would not have flourished without freedom; but freedom secured them and they increased while ours were decreasing; it must be because their policy is better than ours. In fact, a limited trade, subjected to obstacles and restrictions, such as ours, will only be ruined whenever attacked by factories operating in a free environment; in the long run the greater number must win over the smaller number, and their workers and manufacturers are rapidly and constantly increasing, whereas ours, constrained by long training and discouraging formalities, can never increase. Their trade, therefore, is growing and surging, in proportion with the number of their manufacturers, while ours diminishes with the number of our workers.

We still rule our industry by principles established under Henry the second [who died in 1559]; they were wrong then, even at a time when we did not have any competitors, because they were destroying emulation among us. Today they are unbearable, for we have competitors all over Europe. Because we have put one arm in a sling under Henry the second, does it mean that we need to continue like this under Louis the 15th, at a time when all the sovereigns of Europe are occupied.
with the task of untying the arms of all their subjects in order to take over our last remaining trade? May we regain the use of our two arms and we will be able to recover some of the lost ground.

One cannot finish these observations without adding some remarks about the content of one of the memoirs from the goldbeaters’ case record, where, to remedy the abuses on the title of silver and the counterfeiting of traits, it is suggested that we prohibit the transportation of coins, old tableware, and other products of gold and silver, to Geneva and Trévoux.

One may observe, 1° that this prohibition would be useless regarding Geneva, which is not isolated and can very well obtain coins and products of gold and silver through Savoy and Switzerland.

2° That we would deprive subjects of the King, who export coins and products of gold and silver, of a profitable branch of trade, for those are not given freely, but paid at their value, and subjects of the King gain benefit, from the margin they create with materials brought from foreign countries, which paid transportation, transit charges, and others, from which the kingdom has benefited. If we prohibit the trade of coins, etc., to Geneva, we will have one less branch of trade in the kingdom, and one more that we will send to foreign countries. It is with such prohibitions and such restrictions that we ruin our workers, our manufacturers and our traders, that we depopulate our country and debase the value of our lands, to increase the population of England and Holland and increase consequently their wealth, their trade and the value of their lands; for it is certain that we will always increase and elevate the trade of these two nations and other rivals in trade, whenever we will add additional burdens on ours; just as it is certain that the obstacles and restrictions with which we have bombarded our factories have contributed as much to the expansion of trade in England and Holland, as the freedom that these two countries enjoy.

If the principles put forward in these memorials are correct and appear worthy of the attention of the Council, it seems that before deciding definitely the case of goldbeaters and guimpe makers, it would be necessary to send these memorials to the Chamber of Commerce of Lyon, to the traders known as commissioners, who are not the least interested in the prosperity of this city’s commerce, and finally to the main guilds of Lyon, which are the most interested in their trade continuing and growing: something that can only be achieved when it will be treated as favorably as it is in competing cities, that is, not Tours and Paris, but London and Amsterdam.

Until then, it seems that one cannot settle the debate between these guilds without taking from one body to give to another, at the expense of the public interest.

The truth of these principles once recognized, and the city of Lyon once fully
convinced that its prosperity and splendor lie in their implementation, it will be found leading the effort, and therefore all obstacles and difficulties that seemed to block its way, will soon be overcome. It will be recognized, at least, that these principles are not dictated by private interests.

Besides, if our trade was increasing one should punish any man who would suggest to change its rules; but since there is evidence that it is diminishing, and the trade of Lyon in particular, to refuse a change in the rules is to wish for a complete ruin.

[Ms. 2\textsuperscript{13}\textsuperscript{]} To avoid the principles put forward in this memorial relating to regulations being considered new or claimed without authority, here is what can be found in the Recollections of John de Witt, chapter 20, whose title is that manufactures and other mechanical works should not be restrained.

“At least it cannot be denied, but that halls relating to manufactures, or any other fort of handicraft ware, with overseers or inspectors appointed by common consent; or the chief men of the guilds to circumscribe or limit the same; or by public acts of state to appoint how those wares must be made which we sell into foreign lands, are as ridiculous as prejudicial. For it supposes two very impertinent things: first, that the foreign buyers must needs purchase of us such manufactures and mechanic works as we shall please to make, be they what they will: and, secondly, that in other countries they must not make those sorts of manufactures, and handicraft ware which we prohibit. Whereas on the contrary it may be said, that the makers of them have hit the right mark, when they can best please the buyer, and the buyer can gain most by them.”\textsuperscript{14}

Here now are the words of Sir Josiah Child, one of the leading man of trade that England has ever had, in his chapter on woolen manufactures.

“All our laws that oblige our people to the making of strong, substantial (and, as we call it, loyal) cloth, of a certain length, breadth, and weight, if they were duly put in execution, would in my opinion, do more hurt than good, because the humors and fashions of the world change, and at some times, in some places (as now in most) slight, cheap, light cloth will sell more plentifully and better, than that which is heavier, stronger, and truer wrought; and if we intend to have the trade of the world, we must imitate the Dutch, who make the worst as well as the best of all manufactures, that we may be in a capacity of serving all markets, and all humors.

I conclude, all our laws limiting the number of looms numbered, or kind of servants, and times of working, to be certainly prejudicial to the clothing trade of the kingdom in general, though they may be advantageous to some particular men,

\textsuperscript{13} Ms. 1 ends here. The next paragraphs are only found in Ms. 2. They appear in the Swedish version as well.

\textsuperscript{14} This quotation is from page 74 of the work, cited above, by Pieter de la Court, Political Maxims, etc.
or places, who first procured those laws of restriction and limitation.

I think all those laws are prejudicial that prohibit a weaver from being a fuller, tucker, or dyer; or a fuller, or tucker, from keeping a loom.

I conclude, that stretching of cloth by tenters, though it be sometimes prejudicial to the cloth, is yet absolutely necessary to the trade of England, and that the excess of straining cannot be certainly limited by any law, but must be left to the seller’s or exporter’s discretion, who best knows what will please his customers beyond the seas; besides, if we should wholly prohibit straining of cloth, the Dutch (as they often have done) would buy our unstrained cloth, and carry it into Holland, and there strain it to six or seven yards per piece more in length, and make it look a little better to the eye, and after that carry it abroad to Turkey, and other markets, and there beat us out of trade with our own weapons.”

16. End of additional text found in Ms. 2 and translated as well in the Swedish version.
Reply to the Memorial of Mr. Gournay

Chamber of Commerce of Lyon
translated by Benoît Malbranque

The Provosts of the Merchants and Aldermen of the city of Lyon, being assembled on this extraordinary occasion with the Directors of the Chamber of Commerce, in accordance with the orders given by the Council to adopt a final position regarding a memorial by the Labor Office on the advantages or disadvantages of introducing a complete freedom in the city’s guilds, subjected for a long period of time to regulations, and this issue having already been the topic of several gatherings, where this memorial was given serious consideration, along with various answers made to it by the major guilds of this city;

Are of the opinion that the disputes between goldbeaters, guimpe makers, manufacturers and trimmers of the city of Lyon have motivated the author of this memorial to inquire into their causes; these inquiries have led him to the idea that their craft, making them dependent in a certain way on one another for the creation and perfection of cloths, it is not a surprise if these guilds try day after day to attack each other, and continuously raise a new difficulty; to close every legal proceedings, the author proposes to abolish all guilds, along with all statutes and regulations constraining potential workers and establishing a framework for those who at present are entitled to work; as a result of this system, he advocates for freedom, opens the door equally to anyone wishing to produce in France, whether they be countrymen or foreigners, and replaces the uselessness of apprenticeship and masterpieces with emulation and ambition; going from there to the advantages of such a freedom, he explains the progress made by our rivals, while our laws and regulations, putting a strain on our manufacturers and workers, were bringing the downfall of our factories and creating constraints more detrimental to the state than they are to these craftsmen themselves. It is clear that the author is inspired by a very patriotic sentiment; one notices in his memorial the desire to see our factories achieving the highest degree of expansion and perfection, and foreign competition diminishing, almost to the point of extinction, following the growth and superiority of ours; but can the means that he puts forward really achieve this result? Should we

consider in the same way the operations of general trade, which seem to have been so carefully understood by this very talented author, and the details or every branch of industry? Must we accept, without distinction as to the object, this maxim that an institution only flourishes under the principle that was responsible for establishing it? Is there no difference, then, between the time following the first establishment, and the time when it lays some roots, extends its branches, give abundant fruits, and seems to require that the same laws which guided its birth be maintained? Those are some of the most important points to consider. There is no doubt that freedom was instrumental in establishing the silk factories of Lyon; the Lucchesi, our ancestors, laid its foundations, and thanks to this freedom that gave access to every foreign workers—which was valuable for they taught us their craft—these workers trained pupils who, over time, grew in numbers; and soon this situation becoming worthy of the scrutiny of the sovereign, it appeared necessary to give a certain shape to this industry, and to stipulate rules and laws to achieve more surely the perfection of cloths, the precise faithfulness of workers, and the complete confidence of consumers.

Experience tells us that it is because these successive regulations were strictly respected, that the making of cloths has achieve a progress even more clearly felt since the regulations of 1667. At this time, it took a fixed form, the law guided its operations and it started to acquire the knowledge and superiority that we witness today. Under such helpful legislation, other factories of the same city and around the kingdom flourished as well; but following the author of the memorial, we shall consider more precisely the making of cloths in our own city, and yet invoke the same reasons of politics and public utility.

Invention is due to meditation, to combinations, often to chance; but it is not the case for a craft already known: it has principles and rules that have been established after careful examination, reasoning and experience; it is therefore absolutely necessary to know these rules in order to imitate previous manufacturers. Hey, what other road can we take to archive this? if not training workers in apprenticeships; according to the statutes, they can enter this training at the age of ten to fifteen; at the age of nineteen or twenty, they obtain the title of companion and finally at the age of twenty-four to twenty-five, they are able to obtain a mastership. Can a man create a factory before this age? Is it not so that before the age of majority one is not entitled to enter into legally binding commitments? And if an exemption to this law can be obtained in matters of trade, it remains true that a man of this age was still considered as governed by his passions, less free and less firm in his resolutions, and even unable to manage his possessions. It is therefore necessary to have apprentices and companions in order to guarantee a common body of industry; the laws governing them do not only conduct them in the direction of the perfection of their craft, but also acts to
control morality: if you abolish this sort of serfdom, or better, of bondage, which is so necessary at this highly critical age, you deprive the industry of good workers that that subordination would have produced, and you create bad subjects for the state.

The author of the memorial believes that the length of this trial period discourages potential workers; yet, the numerous receptions of apprentices every single year prove otherwise. Besides, how could we reduce the five-year apprenticeship? Is it possible to be taught such a subtle art and complex mechanism in a shorter period of time? An apprentice spends the first two years learning and observing; at this point, he is a burden for the master, who has agreed to provide him with shelter and food for five whole years. Therefore, it is only with the work of the last three years that the master can indemnify himself for his previous expenditures. After this time, the child becomes a companion, he can obtain employment from any master, and this freedom allows him to obtain additional knowledge about every sort of cloth, and learn every technique used. If he is talented by nature, what better way can he find to perfect his skills? After trying several techniques and crafts, he chooses the one that suits him best, and which gives him the most success, and thus, provided that he is wise and thrifty, he can pay the mastership registration fees with his savings: and there we have a new master for the industry.

These so-called obstacles are far from being the cause of a desertion of our industry; on the contrary, we believe that the extraordinary growth and superiority achieved over all competitors is ultimately due to these regulations and to their strict implementation. This rapid growth can be substantiated by reporting the census made at different point in time; but before touching on that, the fallacious notion that apprenticeships are not known in England must be addressed.

It is a fact that both the habitants of this country and foreigners are subjected to an apprenticeship of seven years. If the aspiring worker is not a citizen of London, he must pay a community fee in order to work or produce; in England, as well as in Holland, crafts that are considered national are gathered into guilds having their statutes, such as the cloth merchants in Holland, the cap makers and also the stockings makers in England, and these guilds do not accept foreigners. Silk manufactures too form guilds in the city of London; only in the suburbs can one work on silk cloth without a mastership; these places of freedom serve as a bait for our French workers and for workers of other nations; but it does not apply to linens and hats, and one more time, they do not accept any foreigners. The reason behind this exclusion is easy to perceive: they need external assistance to achieve perfection and taste in cloth making, and they are aware of their superiority in these other crafts in which one cannot teach them anything; their policy is the right one, for one must always indeed mitigate when there is more to gain than to
lose from welcoming foreigners. If we believe that we are still weak, it is proper to seek foreign guidance; if on the contrary we can say honestly that we are superior to them, let us be jealous of this treasury, and let us be on our guard in fear that it will be taken away from us.

The time following the year 1685 was disastrous for our factories: less because of the many workers that were taken away from them, than because numerous establishments were created in England and Holland as a result. Yet, despite this competition, what a progress our industry has made since this time! In 1685, there were only 2,000 machines giving occupation to 10,000 workers; a survey made in 1739 indicates 7,500 machines and 48,500 workers relying on them; finally, in the last one, which has just been made, we possess 10,000 machines and 60,000 workers employ them.

Luxury, that has become more and more prevalent, the use of silk threads that everyone has adopted, as well as the support given by governments, all of this has fostered the growth of our factories; however, it would have been even more so, had factories not been established in England, in Holland and elsewhere: but the blow has been struck, and today we must focus on how to regain our position, either by the perfection and faithfulness of our products, or by their grace and elegance; we can be proud of being still in possession of this refined taste, for each day brings to us an infinite number of merchants from all nations, and above all from Germany, who come to buy our cloths. We have lost customers in England and Holland, it is true, but in the past they only served as intermediaries between us and Northern countries. Today, we supply all parts of Germany, Denmark, Sweden, Prussia, Poland, up to Russia, which forms an essential part of our trade. Nothing here that resembles the gloomy picture given of our industry in decay. In this state, it would be dangerous to introduce the sort of freedom that is suggested; soon foreign factories would feed on our remains, we would see entire colonies coming to our country to learn and train, and then bring back our industry and our sense of taste; we would see these German merchants, so keen today to buy our cloths, form commercial societies with foreign commissioners, and establish new trading posts to transport them in their countries; whenever they would need us no more, we would see numerous manufacturers of all sorts and from all nations getting involved in the business of cloths, join in the buying of silk, and increase its price to the point that they would fall victims to their trials at the very time of their first establishment: in what chaos would we not find ourselves in? No rules, no faithfulness; and consequently the confidence of our customers disappearing: we

2. The reference to 1685 is a reference to the revocation of the Edict of Nantes in 1685, which ended a period of toleration and resulted in the emigration of massive numbers of French Protestants, who, as Max Weber noted, were generally comparatively creative, resourceful, and entrepreneurial.
would pile up an immense amount of defective products that would bring the entire ruin of our manufacturers and industry. No, this disaster exists only in speculation; let us focus on what is, and after glancing with confidence at the flourishing state of our industry, let us say proudly that if freedom has established it, regulation has strengthened it and guided its way, craftsmanship and ingenuity has extended its reputation: we must now wish for a good and peaceful time that will ensure its continued growth.

However, we are under no illusion; we do not believe that we have nothing more to learn, and that foreign countries cannot enlighten us as to mechanical operations; in fact we often see foreign artists willing to enrich our industry with their skills, and far from rejecting them and sending them away, we welcome them and try to establish them in our city; the Consulate presiding over the perfection and progress of our industry obtains for them a derogation from the regulations, and the freedom and right to work; moreover, this same body gives them a mastership straight away, and provides them with the sums required for their establishment. We agree that the multiplicity of hands results in a decrease in salary, but since the amount of workers has increased over time, following the growth in demand, we are only experiencing in the price of labor an increase in proportion with that of other commodities, and in this particular industry we are able to offer cloths at a better price than any foreign competitor. Because of their superior activity and diligence, our workers produce more and earn much more, although they are paid less; so that if we could by some way increase their number to the point that some would become supernumeraries, as we have experienced in these troubled times so common in this industry, they would become additional beggars in our public places and in our streets, as we have seen in 1750. Therefore, we believe the number of workers employed today in our industry to be sufficient for current demand, excessive when the demand is dropping, and insufficient, it is true, in booming times, but these are only momentary. It remains to be decided what is better: to be deprived of a large demand, that is only momentary, or to witness the destruction and dispersion of an infinite number of subjects as soon as the industry is back in its normal state.

Few branches of trade are subjected to fluctuations so frequent as is the trade of cloths; it has recurring trends, depending on harvest levels, which decide the price of silk: thus, every year a new scene is set; in the last 15 years, the price of silk has increased by 30 to 40 percent, partly because of the competition in the buying, between those who provide foreign factories and those who wish to sell to our national industry, but most of all due to the development of luxury, which was so rapid that the planting of mulberry and their production has not walked at the same path; in addition, we have lacked Spanish silk, and it resulted in so massive a deficit, that it was at that time that shortage was really felt; following Spain, the
states belonging to the Pope, the Duchies of Parma and Modena have prohibited the export of raw silk; finally, we have witnessed this year the prohibition of any sort of silk coming from the territory of Messina, a measure taken to promote the revitalization of an industry almost extinct since the time of the plague, and to accommodate trade opportunities a trading company was established for the East, in which the sovereign has taken an interest, and which will be able to trade cloths without paying any duty on import or export. All these import sources having been prohibited to us, and the abundance of silk not having reached the demand level, the rise in price was inevitable; let us not then blame the avidity of our manufacturers for the high price of our cloths, but rather the material that is the essence of it; and similarly, let us not blame their cupidity for the alteration in weight, when it was in fact a consequence of their ingenuity to balance the higher price of silk with thinner cloths, allowing them to offer them at a lower price than any other foreign manufactory; besides, competition between such a large number of manufacturers will ensure that the so-called monopoly that they are criticized for, will not happen, and that they will not obtain undue benefits.

Let us maintain the current state of things, and if we have successfully proved that our rules and the organization of our industry is responsible for its immense progress in the past seventy years, we should have no fear to adopt the maxim that an institution only flourishes under the principle that was responsible for establishing it.

If, without changing the essence of our current regulations, and without damaging the harmony between master merchant, master worker, companion and apprentice, one were to find appropriate means to make our industry flourish continuously, such suggestions would be gladly received, and since the Council is a welcoming institution, here are some of the suggestions that we believe are worthy of scrutiny.

1° Granting freedom to manufacturers to produce cloths in any width, in order for them to compete with foreign countries, provided that the manufacturers will leave a mark on the side of his cloth, and provided that we leave untouched the common width and scope of the cloths we commonly produce, and which are known in other countries, so as to keep the confidence of these foreign customers.

2° Allowing the use of raw silk, following again the practice of foreign competitors, especially for unwound silk, under the same terms as above.

3° Renewing laws sanctioning the use of prohibited cloths, which dramatically reduce our domestic consumption, and strictly enforcing them; everyone knows that they are being sold publicly in Paris and in the rest of the country.

4° Engaging the India Company to ship to France silk rather than cloths, of which our kingdom is full, despite prohibitions; and what difference would it make
in the balance of trade of cloths?

5° Ordering that mournings in Versailles will not apply to either Paris or the rest of the country, but only in Versailles; one can hardly imagine the damage that it makes when these circumstances arise at the beginning of a new season: the sale of this season is entirely lost, and materials that were supposed to be used, falling in price due to their not being new, will unavoidably result in a loss for the manufacturer or for the merchant who purchased them with the intention of reselling.

6° Improving moireing, following the example of London, and the finishing of cloths like in Venice, would be of a great advantage for our industry.

7° Making raw silk, this material so precious, more abundant in France, by increasing mulberries planted in the country and in our colonies; silk harvested in the kingdom is one of the main reason our industry has superiority over that of England and Holland.

8° Renewing the ordinance [arrêt] from 20 February 1725, prohibiting the export of painted silk, with the exception however of sewing silk, and forbidding, in particular, the export of Tripoli printed silk used to sew gold and silver, either for galloon knit or for binding; let us not allow foreign countries to take advantage of our waters and climate, which give us colors more vivid and more beautiful than they can achieve.

9° It would be in the interest of the makers of galloons or threads of gold and silver, to see the enactment of a special provision. One notices for a long time that their demand is being intercepted and that it is diminishing; this can be attributed to the competition of foreign factories, and especially to those of Geneva in regards to the consumption of Spain and India. A sure method of revitalizing it would be to remove the mark duty and other duties and to lower the duty on the refining of gold and silver materials. Here is the detail of these duties:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark duty of 20 s per mark on 50 m bullion, including 4 s per M</td>
<td>60</td>
</tr>
<tr>
<td>Refining duty of 20 s per M</td>
<td>50</td>
</tr>
<tr>
<td>In addition, for gold bullion</td>
<td>12</td>
</tr>
<tr>
<td>Duty of gold beaters on the Argue river</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>126</td>
</tr>
</tbody>
</table>

This is a charge of 5 percent on a sum of 2,500 francs, value of this billion; this is staggering for an industry whose benefits are much lower than these fees, and which cannot compete with foreign countries because they are not subjected to these duties and can offer their products at a price so low that our manufacturers cannot follow without risking a loss or at least an unfruitful work.

These are the ideas that we have formed, based on our knowledge of the particular area and specifics of our industries, and these are the reforms that we
dare to suggest to our wise Council, so that we may experience an even greater prosperity; these reforms are, in our view, in harmony with the useful and commendable ideas of the author of the memorial.

Deliberated on the given day, 24 February 1753.

Signed:

If the answer from the Chamber of Commerce in Lyon on the memorial regarding the goldbeaters also had included, as one would have expected, those objections that each one of the specific guilds had been able to make, each one separately, one could have hoped that when comparing all the claims against each other and concluding their arguments on both sides, the result would clearly show that when they [the guilds] constantly curb each other’s diligence they also suppress the same and damage the diligence of society at large. This is what one [Gournay means himself] believes to have proven with the memorial, to which the Chamber of Commerce answered, and furthermore, that freedom in production would be far more beneficial than the restrictions and the long apprenticeship that the guilds have imposed on themselves, as well as the many specific divisions between occupations which of course could be done by one person alone.

But since, instead of permitting the guilds to answer separately, the Chamber of Commerce has settled with sending one sole answer, one wants to respond to each objection, so that there will be no time lost settling an issue, which have waited long enough already.

Since one [Gournay] tried to establish the basic principle, that freedom in the practice of handicrafts is the most certain way to achieve progress; to attract a larger number of working hands; to give our trade and our manufactures strength, and hence put them in a position where they can resist the manifold and united forces that the whole of Europe use for weakening them and take them [that is, manufactures] from us, it has never been our aim to suggest, as the Chamber of Commerce claims, that one should at once destroy and overrule all the guilds and establishments in this city; for one must always separate the postulate of a basic

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1. As explained in the Foreword above, no original French version of this memorial has survived. A Swedish translation was published in 1756. That Swedish text is here translated into English for the first time. Upon the completion of the present English version, Benoît Malbranque promptly created a French version of this work, which is posted at Institut Coppet [here](#).
principle from the means that should be used to advance it.

We have only claimed that it is necessary that we are approaching the same freedom in the practice of handicraft, that our competitors are enjoying, and the progress of which does us harm, so that we not merely can remove all that may cause our manufactures harm in relation to foreign manufactures, but also be able to avail ourselves of advantages in relation to the same foreign manufactures.

On this basis it is asserted [by Gournay himself, in the first memorial] that trade for us, as well as for the foreigners, of which many used to be our costumers but who now have become our competitors, has changed vastly since the manufactures in Lyon were established, [and that] we not let ourselves be tied to old customs and old establishments when something in them is found to obviously go against common sense or our interests, namely something that can cause our manufactures a disadvantage or harm us in relation to the foreign manufactures. And, in such circumstances, we should acknowledge and follow the revolution in the way of thinking about trade that is going on rather noticeably in so many European states. One wishes nevertheless to acknowledge, that always, when one fears that too darting and inconsiderate changes could cause a violent fluctuation or give way to disorders, one should be changing slowly, yet without ever abandoning the foremost aim to give our manufactures and our trade not merely the same privileges as the foreign ones have, but also to give them even more advantages in relation to the foreign ones.

In line with these basic principles, the correctness of which one assumes that the Chamber of Commerce does not deny, one merely needs to investigate whether there is not something in the constitution of the guilds and their statutes, that during these days and times, constitute the foundations for their agreements and facilities, that are against common sense and that bring harm to the manufactures of Lyon in relation to foreign handicrafts, and whether the referred statutes, with the character they have today, can unable our silk manufacturers to enjoy the same treatment than foreign industry. To make one convinced of the present state of these issues, it is sufficient to present an excerpt of the statutes of some of the main guilds.

When the Chamber of Commerce invokes the fortunate times, in which the manufactures rejoiced from the year 1667, a time when their old statutes were inspected and improved, one must remark 1st that the factories in Lyon back then had fewer competitors than nowadays. 2nd that the statutes of 1667 were no less detrimental to the growth of the manufactures, and the increase of manufactures

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2. Read the excerpt from the statutes of the lace-makers. [Footnote by Gournay] [In this footnote Gournay is probably referring to the 1682 statutes of the guild of “masters makers of guimpe, laces and ribbons” (maîtres passementiers tissutiers et rubaniers). —B.M.]
and looms, than later statutes and in particular the ones of 1744. In 1667, workers born in Lyon could be masters for 50 sous, whereas people from elsewhere in France and foreigners had to pay 21 livres to become masters. In 1744, the fees for master-acceptance were raised to 120 livres, besides 48 livres for the acceptance to apprenticeship and companionship, for the citizens of Lyon and 200 for foreigners.

The 1667 status did not forbid the master to have, or to work on, as many looms as he pleased. Such a restriction was not introduced until 1702, at a time when disagreement were growing, and it has since caused the factories in Lyon great concern.

So much less did we understand our own good when we determined the number of looms that each one could have separately, as the English and the Dutch already then had become competitors to our factories, and the English since 1697 had forbidden the import and the use of our silk-commodities in their country.

One should, instead of diminishing diligence through restricting the number of looms to four per master, encourage them to expand in every kind of way, and not let the English take advantage, to our manufactory’s downfall and the encouragement of theirs, by restricting the means of manufacturing the same cloth that they [the English] manufacture with greater expansion.

The Chamber of Commerce finds nothing in the length of the apprenticeship that is not necessary and in line with the laws, that do not allow one to enter into contracts before one has turned 25 years old; but the same laws that aim to protect the property of the minors by hindering them from entering into contracts before legal age does not however hinder them from taking employment during the same time. And if the Chamber of Commerce themselves must admit that this law is transgressed in issues regarding trade, why then would the guilds in Lyon resist the same practice being conducted in issues regarding manufactures?

And why would a manufacturer’s practice in these regards be inferior to those of the merchant, who before the age of 25 can refine his property through good business and set up significant establishments? Is it not to curb competition and talent, when an ambitious and swift person is regarded in the same way as a person that is not ambitious and swift? The former learns in two years what the latter cannot learn in 10 years; is it then fair to regard them as equal?

One [that is, Gournay himself] has not asserted, that the apprenticeship should be completely abolished; because if the statutes does not set up a certain time for learning, it naturally follows, that one would during a certain time do things that he has not been trained for; one has merely wanted to show that the guilds, when they have expanded the time for apprenticeship and companionship, also have deviated from the old customs of the manufactures; there are forty guilds, for

3. Art. 34, 35. [Footnote by Gournay]
instance the lacemakers, where the apprenticeship in 1667 was set to four years, and where companionship reached an even longer amount of time, up to eight years, as for the dyers in 1708, and ten years, in the case of the goldbeaters in 1683. From this follows that our apprenticeship and companionship are longer and our mastership longer and more expensive than in all the other nations with which we compete on trade. Must not this lead to a disadvantage for our manufactures in relation to the foreign ones, and must not this disadvantage hinder our progress and promote the progress of the foreigner?

For the sake of not losing sight of the comparison between our customs and the foreign ones, a comparison that also the Chamber of Commerce makes, and which it is important to relate to, as much for the present as the future, we would like to interpret what the Chamber of Commerce has written.

The Chamber of Commerce declares that guilds are established in several towns in England, with the city of London mentioned in particular. However, it is acknowledged, that this is the case in arts and crafts that are located in the central city, which is less than a third of the whole of London, and that the silk manufactures in the suburbs are free [from guilds]. It is not the silk manufactures of the central city, in themselves of little value, whose competition and progress we have reason to fear. It is the silk manufactures in Spitalfields, a suburb of London where they are free, without restrictions and constraint, that we have reason to envy. Also, the longest apprenticeship in England is seven years, which the Chamber of Commerce acknowledges, but there is no journeyman-ship; in Lyon the companionship can reach ten years. An Englishman can work as a master in Spitalfields, without paying the mastership fee, and a foreigner [that is, someone who is not a citizen of England] can work there as soon as he is made a citizen [of England, that is]. A French master cannot work in Lyon until he has paid the master fee of at least 168 livres. The terms of a worker are hence less favorable in Lyon than they are in Spitalfields, both in regard to the time of apprenticeship and in regard to the acquisition of the mastership.

In Holland one can be master in Harlem and Leyden but in Amsterdam a foreigner [that is, someone who is not a citizen of Holland] can establish a silk manufactory as soon as he has acquired citizenship, which all in all cost fifty golden, or a hundred livres, and if he is already a citizen, it does not cost him anything; furthermore, the apprenticeship is shorter than in England, even in cities where guilds are present; hence, a worker in Holland has fewer obstacles for producing silk than a worker in Lyon.

But far from the English claiming that long apprenticeships, guilds and masterships are bringing arts and crafts to perfection, people with the most knowledge of trade has long since written that these institutions are shackles on the diligence and obstacles that deprive the growth of hands in trade, means which
in trading nations always have been seen as contributing the most to a deficit in
the balance of commerce. This was already uttered by Child in 1669. It is also on
the same foundations that the author of an essay on the causes of the decline of
the foreign trade, printed in London in 1740, has written. It is finally on the same
foundation that, at the end of last month, a proposition was made in the House of
Lords, that all guilds in the whole of England should be abolished, since they are
one of the worst obstacles to the diligence one can encounter.

All of this proves, that it is far from all Englishmen who regard the guilds as
an advantage or as an effect of good statecraft, as the Chamber of Commerce in
Lyon claims. Instead, they are seen as harmful to the growth of trade by both the
foremost writers on trade and a good deal of the people.

Even though the guilds are not as strict and the apprenticeships not as long
in Holland as they are in England, they are no better regarded in Holland; and Jean
de Witt, a man who has had the most experience in state-affairs and has the most
knowledge in trade, has in the fifteenth and sixteenth chapter of his Political Maxims,
claimed that the guilds hinder the diligence in general by giving its members the
right to practice only certain arts and craft professions.

Thus, both the authorities and the most enlightened men in the two most
trading nations in Europe have concluded that guilds are harmful for trade.

But what can one reply to the success that the manufactures of Lyon have
achieved? If the guilds are obstacles to the growth of trade, how is it then possible
that 2,500 looms that employed 20,000 people in Lyon in the year 1685 during
the last 70 years have quadrupled to the 10,000 looms that are active today? For
me however this is a riddle that is easy to solve. The growth of factories in Lyon
depends on the increasing use of silk cloth in France, and not on export, which is
the only source of growth regarding the fortune of a nation. And if the growth of
7,500 looms are used to cloth ourselves within the country instead of other types
of cloth that the citizens used before, one must acknowledge that the growth for
the factories in Lyon cannot be seen as a growth in the trade of the nation, since
consumption within the country has merely been changed from one type of cloth
to another, and that what factories in Lyon has gained, other factories in the nation
have lost; so it is thus possible that the 2,500 looms of 1685 contributed more to the
wealth of our state than the 10,000 looms of today, since we during past days sold

4. In a chapter on the trade balance. [Footnote by Gournay] [That is, chapter 9 of A New Discourse of Trade,
by Josiah Child. —B.M.]
5. We are guessing that the work referred to is An Essay on the Causes of the Decline of the Foreign Trade, which
was published in 1744 (not 1740) and which scholars usually attribute to Matthew Decker—if it is not the
small book published in 1740 under the title The Consequences of Trade: As to the Wealth and Strength of Any
Nation; of the Wooden Trade in Particular, and the Great Superiority of it Over All Other Branches of Trade.
6. February 1753. [Footnote by Gournay]
more silk cloth to foreigners than we consumed ourselves, while we now consume more than we distribute abroad.

One believes that there is reason to think so, based on, that in the year 1685, with our 2,500 looms, we had, so to speak, no one else, except for the Italians, to share the silk trade with, and that we supplied the whole of Europe with gold- and silver fabrics, whereas today, notwithstanding the addition of 7,500 looms, the Chamber of Commerce admits that the manufactures in Lyon have lost the markets they previously had in Holland and England. And although the Chamber of Commerce in its memorial did not want to regard the English as anything other than brokers between the Nordic countries and us, one cannot fail to believe that before this they were one of our foremost buyers, as, according to the balance sheet, which was presented in the parliament of England in 1685, they themselves counted at twelve million, what they had in silk, as well as in gold and silver fabrics brought in from France. And the laws, which were made under William the 3rd [that is, from 1689 to 1702] to prohibit the importation and use thereof in England, prove that much of it was consumed, and that he regarded this circumstance as the origin of one of the greatest channels, through which the riches of his country flowed out.

Apart from the English market, which we have lost, according to the Chamber of Commerce of Lyon’s own acknowledgment, it is known that the silk factories, which in Spain increase on a daily basis, reduce the consumption of ours [fabrics] over there. Prussia and Germany, which Lyon still counts among her consumers, also use all their energy to establish their own silk factories. In addition, the court in Vienna as well as the Danish and the Swedish, have issued laws concerning the use of our textiles.

Before this Holland sent eight million of our fabrics, of which, in truth, the greater part were brought over to Germany and the North; but now the Dutch bring thither their own, which hurts ever so much the sale of ours.

Now as the greater part of the countries which in 1685 were open to us for the disposal of our fabrics nowadays prevent the same and fill its place with their own, it follows that the 7,500 looms, which since the year 1685 have increased almost in the same amount in the other kingdoms of Europe as in France, one cannot deny that an increase of 7,500 looms in the City of Lyon in 70 years is rather slight, to say the least, in comparison to the increase during the same period in the use of silk fabrics made in Europe in general, as well as the silk factories in particular, because in England alone twelve thousand looms were counted in 1719, although they were hardly known in 1685. All this proves that not so much has been gained by this increase in abundance, as could have been gained if we had

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7. Vid. Claudius Rey. [Footnote by Gournay] [Gournay is perhaps citing Rey 1728.]
properly used all our advantages, against which the statutes of the guilds in Lyon place a permanent obstacle in the way of.

Thus, far from attributing the progress made by the manufactures over there [Lyon] to the statutes of the guilds in Lyon, like the Chamber of Commerce does, one [that is, Gournay] asserts that it is these statutes which prevented them from making greater progress, and that the same also more contributed to the rise of our factories on foreign land, even more so than the sovereign’s might, which most sought to promote them.

In truth, if, instead of curtailing industry and diligence, as has always been done in Lyon, especially since the year 1702, they had left the competition between the manufacturers more open, and if more ease to continued growth had been granted, we would have filled Europe with our silk fabrics, just as the foreigners themselves were on the verge of setting up manufactures in their own countries, and we would have been able to supply them with such a great quantity of fabrics, of so many kinds and at such good prices, that we would have put their new establishments in the wind and forced them to admit that it is futile to compete with a resourceful and industrious nation, since their efforts in this sort of industry would have been proved unsuccessful. At the same time, they would also had learned that heavy charges, even the prohibitions themselves, had been insufficient to prevent the importation of our fabrics to them. For, such strength possesses good purchase, that it overcomes all difficulties, and that great levies on foreign goods are nothing but a much greater encouragement to fraud of which we ourselves have deplorable experience, through the immoderate use we find among us of East Indian cloths [indiennes, that is, printed cloths], contrary to issued prohibitions to wear them. And we also find that the prohibitions and the heavy levies with which the English taxed our spirits, our teas, our salt and our cambric, do not, however, stop fraud from being committed on their land, regardless of both the size of the articles and the attention of the Service appointed for that purpose.

Furthermore, it has not been claimed that the manufactures in Lyon have not made some growth; but it [the claim] is that, what one [that is, Gournay] wants proven, if it is proven, they [the manufactures in Lyon] unfortunately have not made as much progress as they could have. Moreover, if the nations, which they still count among their clients, would become their fellow competitors and come to provide for themselves, the flourishing state, of which they still boast today, would not be of long duration.

The surest means of averting this calamity, is to do now what we ought to have done long before, namely, to increase the number of hands in our silk factories, so that we may draw there greater capital and be able to boast more workers and more money against the great number of hands, which are scattered throughout Europe, and by which our manufactures are now affected; as long as
that does not happen, we are going to see markets being taken away from us one after the other; for in trade as in war, the side which possesses the most men and the most money is sure enough to best its adversary in the end.

If, therefore, there is a nation in Europe, which, through the abundance of fine factories and of different kinds, through a great number of merchants and ships, and through their institutions, set themselves out to becoming masters of the whole trade of the world; and we content ourselves with maintaining ours confined, by force, as it were, within a small number of materials and avenues, we shall soon enough lose what we still possess, and we shall see our trade dwindle day by day. In matters that require competition, when you do not bother to make better progress, it invariably happens that you go backwards.

Let us not fear, with the Chamber of Commerce in Lyon, that the foreigners will come and take away our taste and our diligence. We have enough secure means to keep them both with us for eternity, if only we allow them to multiply and expand, whereby, when the French find ways to occupy themselves at home, they learn not to travel abroad bringing their natural gifts to our fellow-competitors, whose progress, besides, we learn, we much more certainly shall deter by the abundance of our fabrics, good purchase, and diverse kinds, than by their perfection, which is a pretense of which the guilds in Lyon avail themselves to prove the necessity of their establishment. Furthermore, perfection is won rather through hardship and eager competition, than through the long apprenticeships and the other compulsions, of which their statutes are filled with.

But should we, if we were to enter into the apprehensions of the Chamber of Commerce, fear that production would be too great, and that the world would be too small for our trade, as we now hardly trade with half the known world? And among the peoples with whom we carry out our greatest trade, there is not even one sixth that consumes our fabrics. Thus, there remains for our diligence a far more extensive field than the one we have thus far traversed. And we have far greater reason to fear a lack of people for trade, than a lack of trade for the people.

The Chamber of Commerce seems furthermore to be afraid of having an abundance of workers at times, because the unexpected prohibition of the silk export from Spain in 1750, surely caused a stagnation in the factories, but the same did not last long; for the Spanish silk immediately afterwards began to flow out again in spite of every prohibition. And the more we facilitate the importation and consumption of it with us, the more and to greater abundance will flow out from there, so that we shall maintain our manufactures at the expense of our competitors. For we already possess against them the advantage of better price on labor wages, which the Chamber of Commerce in Lyon itself admits: an advantage, which a greater increase of hands would make still more considerable in our favor, inasmuch as we were thereby put in a position to pay more for the raw materials
than our competitors, without raising the price of our fabrics, and consequently possessed a constant means of attracting larger lots of silk to us from all parts of the world than they [the competitors] could get for themselves. For it is a principle that stands firm at all times, that the one who can buy expensively and sell for the best price is the master of the trade. If, therefore, our manufactures would be well maintained, and the competition and diligence of manufacturers not forced, there would be no workers to spare. They would create for themselves new and unexpected places to sell their product, of which we at present time can but imagine, both among the peoples who already consume our fabrics, and among those who do not yet know about them.

But, on the contrary, our outlets shall always remain limited, as long as our manufactures are so too, because, when we do not do all that we can do, we favor the diligence of others thereby, that we do not find ourselves in a condition to fulfil the first demand; which is why I also see less hazard in producing ten thousand pieces too much than a single piece too few.

This abundance of manufacture and stock thereof excludes the foreigner’s, instead of one piece which we have permitted him to manufacture when we ourselves have not been in a position to provide it at first demand, encourages his diligence and makes him a fellow-competitor. It is therefore not bad to satisfy other countries with our goods. This abundance is, as Jean de Witt says, a proof of the strength and superiority of our trade, it hurts our competitors. And if these stocks of commodities should ever cause a slowdown in the trade, it will soon pass. Demand will rapidly return; and instead of one person, who would be deterred from this trade, there are twenty who, on the slightest cause for profit, enter into it.

As for the stagnation in the manufactures, to which the Chamber of Commerce draws attention, nothing happens inside the manufactures in Lyon other than what generally happens with all other things in this world, which are never of any permanence. And the manufactures in Lyon suffer in this end nothing else, than both the woolen and linen factories in Genoa, England and Holland, which have repeatedly been subjected to the same fates. There is thus no reason to place the manufactures in Lyon within certain so-called bars, because there are sometimes certain times when the work is carried on with less haste than usual, just as it cannot be considered any reason against the increase of population in a country, that one sometimes must endure less pleasant harvest times.

But if the city of Lyon, contrary to what all other cities in the world wish for themselves, fears seeing its inhabitants and workers multiplied, for fear of suffering trouble from them, when there is a lack of work, she should not attribute this to anything but the nature of the statutes of her guilds, which, when they contain, that no one else but those within the City of Lyon itself may engage in any work in silk fabrics, compel all those who are willing to engage in such work, to abandon
the countryside, and to come and cram themselves in Lyon; whereas, if it were permitted to carry out the work of silk fabrics in the country, especially of the smooth kind and such as require the least art, the manufactures in Lyon would draw less people into their bosoms, without either the silk fabrics or agriculture suffering thereby. And these workers, who remained in the country, would not come and increase the number of those who frighten the Chamber of Commerce, since work stops with a lack of demand.

What is happening in the country in Genoa shows us that the production of silk fabric is in no way in opposition to farming tasks. And if we allowed the establishment of our silk manufactures to take place in the country and to expand there, we would thereby reap the double benefit, both to keep more people there, and also, to be able to manufacture for an even better price than in the Cities, which two circumstances would enable us to battle with so much greater superiority against the foreign factories.

The high cost of the silk, of which the Chamber of Commerce complains, is an inconvenience that the manufactures in Lyon have in common with the English, Dutch, and German factories; but the prohibitions in Spain, Piedmont, and Italy against silk exportation should not frighten us, if we wish to use the advantages we possess when it comes to manual labor, and permit, through a greater ease and a greater increase in the work, the silk to gain greater value domestically, than it can abroad, where manual work is more expensive; from which it follows, that the subjects of those sovereigns, who forbid silk exports, must rather count on selling it to us unprocessed than consuming it themselves, so all prohibitions become useless even in those countries where they are strictest. For such power is possessed by the one who is able, and who pays the highest price, that he can get everything out [to market] regardless of all prohibitions against it.

This principle as well as the previous one, which we established concerning the strength of good purchase, brings us to two equally indisputable truths; 1st That good purchase compels exportation from us, and the importation to the foreigners, regardless of all prohibitions on both sides, from which it follows that we should not allow the price of the things that have to be brought from the foreigner and stored with us to fall, which are the raw materials.

2nd That the high cost at home forces the importation to us and the exportation from the foreigners, regardless of all the prohibitions on both sides, from which it follows that we should avoid everything that leads to an increase domestically of that which we benefit from keeping at a low cost, which is the manual work.

As a result of this, it is easy to conclude, that we find a permanent advantage in keeping the raw materials at a price, to have them imported to us and exported from the foreigner, which of course must happen, if we facilitate in every way
possible the means to process them. And on the other hand, that we have the same benefit from maintaining the manual work in the case of good purchase, to prevent our competitors from selling, which of course must happen, if we increase the number of those who can put themselves to work on the manufacturing and processing of the raw materials. In this way, we can reconcile what at first sight seems unreasonable, namely buying expensively and selling for good purchase: a principle, to which one would almost dare bring the entire science of trade.

By the high cost of raw materials I do not here understand the dictated value which they obtain through the fact that they are charged with high customs or other such extraneous expenses, whereby they are increased in price for those who are to process them, but reduced for those who have them to sell, but here [I] of course [mean] the natural value, which they achieve with us through a greater demand, which stems from a greater increase and a greater ease in their processing.

All the statutes of the guilds in Lyon which lead to a limitation in the increase of people and means for the processing of silk, are thus by default a prevention on both the domestic and the foreign silk from domestically gaining the natural value, which a greater increase of workers and a greater ease in its processing would apply on the same. Consequently, the effects of these statutes is to retain the silk with the foreigner, to facilitate the exportation of ours and to stop the domestic supply of silk as effectively as by any prohibition.

The statutes of the guilds in Lyon, as they are currently constituted, are thus infinitely injurious to the kingdom, because they rob an infinite multitude of the King’s subjects of the means to employ themselves, and so to speak force the whole nation, as regards the progress of its trade in silk goods, to be dependent on the diligence and skill of the Lyonnais. For such is the consequence of all that leads to exclusion, that we set only a certain limited number against un-numbered enemies attacking us.

One can thus not too often repeat the same fact, as has already been said, namely that the statutes of the guilds in Lyon would in a certain way be of less importance as long as our factories were without any competitors. They have done us no perceptible harm, while the competition on the side of the foreigners was weak. But now, since all the peoples of Europe have begun to set up silk-manufactures among themselves, if we do not take all conceivable measures and steps to promote the increase of them domestically, and thereby push their end, we shall soon be forced to yield to the abundance of our opponents.

The present state of trade in Lyon seems to satisfy the Chamber of Commerce and to be sufficient for the guilds who have no regard for no one but themselves. But we, who have regard for the whole kingdom in general, would we believe its trade to be large enough, as long as there was still some single means left to expand it? It still remains for us to reply to the demurral made by the Chamber
of Commerce, namely: that freedom is indeed necessary at the first beginning and establishment of the manufactures, in order to attract people and skilled workers to them, but after they have had time to gain a certain stability, it would be adventurous to leave access to them open.\(^8\)

One has never been of the opinion that the foreigners should be accepted at the manufactures in Lyon as foreigners, but only since they are naturalized, which would at once have a double advantage, namely that the manufactures would be reinforced, and the population increased by the king receiving new subjects.

But as, according to what history more than clearly shows, the foreigners strengthen and enlarge their manufactures at our expense, as they strengthen them on a daily basis with new workers, so our manufactures cannot be but curtailed and diminished by theirs, if we continually deny to considerably strengthen and expand them through new members. In other respects, the eager competition, together with the necessity of constantly working better and with more economy, than the neighbor to get the upper hand over him, is the greatest and most driving master, as well as the one that most quickly leads to perfection. All this proves that if free access to the factories is necessary to their first beginning and foundation, the same is no less necessary to their maintenance and growth.

Far from agreeing with the Chamber of Commerce in Lyon, that the progress that this city has made in these last seventy years is so immeasurably great, I think I have proved 1\(^{st}\) That the progress is far less than that, which the luxuriance in general and the silk manufactures in particular all over Europe have made during the same time. 2\(^{nd}\) That the same increase of our manufactures took place more at our own expense and consumption than that of strangers. 3\(^{rd}\) That without the statutes of the guilds in Lyon, the silk manufactures in Lyon as well as in other parts of France would have made far greater progress, and on the other hand, the foreigners’ far less than has now happened. 4\(^{th}\) That if we leave the ordinances in Lyon in their full effect, as they now stand, we shall acquire less foreign silk than we could acquire: that our own silk, instead of being processed at home, flows out to supply the factories of our competitors, and serves to maintain and promote their progress, whereby we will unnoticeably remain confined within our

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8. [The following footnote is in the original Swedish, by the Swedish editor/translator.] It is remarkable how here in Sweden many in our time, who would otherwise be considered zealous for the factories, speak and advise contrary to the opinion of the Chamber of Commerce in Lyon on this occasion. It is asserted, that as long as the factories are in their beginning, they should be kept under certain rules and coercion, but after they have come to stability and perfection, greater freedom can be left to them. Besides that both this and the Chamber of Commerce’s system, instead of encouraging the country’s inhabitants to craftwork, naturally can only discourage them from doing so, in view of the uncertainty that each and everyone must find oneself in for the future, it can also be clearly discerned here how specific interests all over the world are powerful enough to use the same arguments, both against and for whatever that they find more or less necessary for the achievement of their ends.
own consumption.

But in order not to deviate from the purpose that was set out at the beginning of this memorial, which is not to propose changes that could cause any too violent trembling, it would therefore seem most advisable, if, while maintaining the foundations of the old statutes of the guilds in Lyon, only that which is contrary to reason, and that which causes the factories in general indisputable harm in respect to the crafts of the foreigners, was stripped away.

For this reason, one [Gournay himself, that is] settles on this occasion for proposing to the Council’s discretion: 1st To allow all the King’s subjects, in whatever province of the kingdom they may be born, to be admitted to apprenticeships at the factories in Lyon on the same terms as those born in the City of Lyon. 2nd To fix the apprenticeship to five years, and the companionship to two years, which together constitute seven years, as a longer period would cause the manufactures in Lyon a perceptible disadvantage compared to the foreign manufactures, and also to those established in England, where the apprenticeship is the lengthiest. 3rd To allow girls to be admitted to apprenticeships, which would be so much more advantageous to the manufactures, as they are more sedentary, and as this would be the quickest means of replacing the lack of workers, which must now be acknowledged in Lyon, especially in the field of sewing, the shortage of which is so great that it is not possible to procure for the current year half of what is demanded of English and striped taffeta, as well as black taffeta of 74 and 60 threads, which are replaced by foreign ones, as we do not find ourselves able to deliver them ourselves. 4th To allow each master to maintain as many looms as he pleases equally to what was allowed in the year 1667 and up to the year 1702, and to admit as many apprentices as he desires; for otherwise our manufactures must always be in a disadvantageous position in relation to the foreign manufactures, where the number of looms and apprentices are in no way limited. 5th supposing, that all the preceding points lead to an increase in the number of workers, it is also necessary to increase the opportunity for them to earn an outcome, without which the manufacturers would be given means in their hands to make the circumstances for them all too hard; for this reason, it is argued that if all costs for gaining mastership could be halved, yes and even if each of the guilds’ debts were erased, under which measure the concerned guilds would not suffer, because through the admission of so many more to mastership, they [the guilds] would regain what they seemed to have lost at cost of the same admissions. 6th To make it easier for the silk factories performing sewing work to establish themselves in the country, to thereby multiply the manufactures in silk, without weakening the country or agriculture, but to come closer to the purpose of the trade, which is to employ the poor and give them the opportunity to earn their food.

These liberations, which it is proposed that the silk factories may be
permitted to enjoy, will imperceptibly bring them back to the simplicity from which self-interest has removed them, and which [simplicity] is inseparable from the true spirit of commerce; these liberations will give them an opportunity to multiply and expand; and yet the Council9 will be able to have regard to the remarks made by the Chamber of Commerce in Lyon in favor of its factories.

The first two of these, which concern permission to work in the same width as the foreign fabrics have, however without changing the width of the fabrics, which are hitherto known to Lyon’s manufacture, and to be allowed to use raw silk as in the foreign fabrics, and distinguish such from the others by some mark at the edge [of the fabric], can only contribute much to the expansion of the silk factories, and consequently to that, that we may retain with us a greater quantity of silk of our own growth, which draws to us a large amount of foreign silk; these two circumstances are also contributing to reducing domestic consumption of prohibited fabrics, as so much is accomplished thereby, that from now on we will have several different types and properties, as well as to better purchase, than before.

The 4th request of the Chamber of Commerce in Lyon, to the effect, that the East India Company should be requested to bring into France more silk and less finished fabrics, deserves to be brought to the East India Company’s attention with the approval of the Council.

The 6th [request of the Chamber of Commerce in Lyon], which consists in the improvement of the moireing, deserves the attention of the Council, as contributing greatly to the perfection of the factories.

The 7th [request of the Chamber of Commerce in Lyon], which concerns the propagation of the mulberry plantation, has already been a main subject of the government’s care for a long time.

The 8th [request of the Chamber of Commerce in Lyon], regarding the renewal of the prohibitions from February 20, 1725 against the exportation of dyed silk, requires closer consideration. If it was possible that the prohibitions alone could prevent the export of a material that takes up as little space as silk does, the Chamber of Commerce would be right to ask for their renewal, but as these prohibitions cannot be enforced, the safest course is to keep that remaining with us, be it, to facilitate and increase the use of it among ourselves, to which all the means that have now been proposed will be very helpful. Regarding the proposal to prohibit the exportation of Tripolitan silk, used to sew gold and silver, apart from the fact that a prohibition regarding that type of silk would not be easier to enforce than regarding dyed, it would also to be feared, in case one could enact a prohibition

9. The Council was a sort of governing body, in which ministers and high officials met with the King to take decisions.
against the export thereof, that the foreigners would thereby be put in a condition to be able to manage without us in that handicraft, which nevertheless always gives our galloon manufactures a great advantage over theirs.

This proposal naturally leads us to the examination of the [Chamber of Commerce’s 9th proposal], as it is proved by a calculation, the accuracy of which cannot be denied, that if the mark and refining fees remain as they are now collected in Lyon, a loss follows of 5 per cent for the factories in Lyon against the factories in Geneva and in other foreign countries, where these dues are not paid, but especially against those in Vienna in Austria, where the galloon factories have already made great progress.

It is up to the Council to judge what regard may be had to these remarks made by the Chamber of Commerce in Lyon and to the danger we are in of seeing the factories in Lyon gradually pass over to Geneva, which lies so close to her door, as long as the competition becomes as difficult for her as it is now through the collection of these two charges.

This idea, which has so close a communion with one of the noblest questions, of which the disputes between the goldbeaters, manufacturers, weavers and trimmers gave rise, means that we must go back to the examination of this dispute; but before one enters into it again, it has been thought necessary to show that the competition which now exists between the various kinds of silk, as well as gold and silver cloth factories established in Europe, is of such a nature that the very least difficulty, which our factories would face against those of foreigners, would cause the preponderance in their favor. From which it follows that if one were to grant the goldbeaters the permission they requested, to be allowed to alone spin and weave the gold and silver thread, this permission would put the other craftsmen in Lyon in worse conditions than the same and similar craftsmen have elsewhere in Europe, where each manufacturer is at liberty to prepare himself all that is required for the composition of what he manufactures: an inconvenience which would infallibly in time extend to factories throughout Lyon.

[The remainder that follows, that is, the following two paragraphs, appears to be an addition, by Gournay or another, following the original composition of the memorial.—B.M.]

Since this memorial was read in the assembly of Commerce, still further evidence has been gathered to confirm the state and progress of the silk factories in England. In addition to the author Claudius Rey referred to in the previous memorial, who tells us that already in 1710 twelve thousand looms were in operation in England, the author also confirms a plan of the English trade printed in London in 1728, that at that time silk goods worth 2 million pounds were produced in England sterling or 48 million according to our currency, of which
30 million were spent in the country and the other 18 million went over to the foreigners.

The same author also tells us that the English now do not allow silk fabrics to come from France and Italy for 120 thousand pounds sterling, even though before this France alone sold to them for 600 thousand pounds sterling. There is no doubt that the silk factories in England from the year 1728 to the present time have considerably increased, and that they will henceforth make even greater progress, in consequence of the measures and means taken for their encouragement and increase, the longer the more. It is therefore not without reason that the Chamber of Commerce in Lyon is given reason to take into consideration the means which are believed to be most useful for our part to multiply and expand the silk factories, and to direct all our powers against our competitors.

References


Vincent de Gournay (1712–1759) expounded *laissez faire, laissez passer* ideas in France, notably against the guilds system. He greatly influenced major figures such as Turgot. Although he was a prolific author according to those who knew him personally, he published almost nothing, and, tragically, died early, at the age of 47. On the freedom of work, historians must draw from his administrative correspondence and occasionally from short memorials, two of which are now rendered into English and published in *Econ Journal Watch*.

**About the Author**

Vincent de Gournay (1712–1759) expounded *laissez faire, laissez passer* ideas in France, notably against the guilds system. He greatly influenced major figures such as Turgot. Although he was a prolific author according to those who knew him personally, he published almost nothing, and, tragically, died early, at the age of 47. On the freedom of work, historians must draw from his administrative correspondence and occasionally from short memorials, two of which are now rendered into English and published in *Econ Journal Watch*. 

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Deirdre McCloskey has permitted the reproduction here of a letter she wrote, dated 8 November 1988, which responds to a letter she had received—then, as Donald McCloskey, from the President of the Pennsylvania State University. We reproduce that letter as well, the writer of which sadly having passed away in 2016; Pennsylvania law makes such records public.¹ Thanks are due to Professor McCloskey, as well as to Rick Geddes for bringing the instructive and stimulating exchange to our attention, and to David Henderson, whose EconLog post about it (link) advanced this endeavor.


The words about blacks and whites being identical appear in an exercise about a labor market where employers discriminate, to varying degrees, against

¹. "Under the Right-To-Know Law, all records are presumed to be public records unless disclosure is barred by: (1) state or federal law or regulation; (2) judicial order; (3), privilege, e.g., attorney-client or doctor-patient; or (4) one of the exceptions in Section 708 of the Right-to-Know Law” (link).
blacks. Throughout the exercise, understand that all black workers are, from employers’ perspective, strictly homogeneous ("identical"), and likewise all white workers are strictly homogeneous ("identical"), and that, as McCloskey puts it, “blacks and whites are identical except for color.”

McCloskey presents the question, presents a brief answer to the question, and then provides further discussion in the text in reference to the exercise. The question and answer are as follows:

**Q:** If employers, to a varying degree, have a distaste for hiring black workers rather than white workers at the same wage, then a rise in the proportion of blacks to whites in a labor market will be accompanied by a fall in the relative wages of blacks.

**A:** As the proportion rises, the blacks must face more and more discriminatory employers. All blacks must be paid the same wages (assuming that blacks and whites are identical except for color), or else the low-wage person will undersell the high-wage one. So the black wage is determined by the wage differential that just compensates the most discriminatory employer hiring any black for hiring “the” marginal one. Therefore, true. (McCloskey 1985, 451)

In the further discussion in the text, McCloskey explains that racism is a taste that normally loses money, and that the more blacks there are, the more that firms without that distasteful taste will outcompete those with that distasteful taste, because their labor costs will be less than will be the labor costs of racist firms. McCloskey suggests that less-racist employers—in New York City, say—will expand, and with a more-proportionately black workforce. McCloskey writes: “It is said that the radical shifts in the racial composition of the work force in the New York garment trades is a result of this mechanism” (1985, 451).

McCloskey provides a diagram (Figure 22.2) with the following useful further explanation:

If there are few blacks in a labor market, then the least discriminatory employers will be able to hire them and in competing to hire them will keep their wages high. If the numbers increase, then more discriminatory employers will need to hire blacks, which they will only do if compensated by paying them lower wages than whites. For this reason the demand curve slopes downward. For the same reason a shift outward in the relative supply curve of blacks causes their wage to fall (it would not if blacks and whites were treated as identical by employers). (McCloskey 1985, 452)

McCloskey labels the Figure “The Economics of Discrimination” and cites pages in Gary Becker’s *The Economics of Discrimination* (1971) and an article by William
Letter from Jordan to McCloskey

October 21, 1988

Dr. Donald N. McCloskey
Professor
Economics Department
University of Iowa
Iowa City, Iowa 52242

Dear Dr. McCloskey:

I am writing on behalf of concerned students at Penn State who are distressed about certain language in your text, *The Applied Theory of Price*. I understand that Jim Rodgers, Head of Penn State’s Department of Economics, has discussed these concerns with you in that phrases exist in the text that are perceived to be offensive to students of African-American descent. We refer specifically to page 451 of the text where it cites: “(assuming that blacks and whites are identical except for color).” It would be my hope that you would work with your editors to see that this particular passage is deleted from forthcoming editions of the text.

The discussion of slavery in economic terms is discomforting for our students as well. We, of course, recognize the scholarly work that you have done on this topic and would not suggest disregarding that. In future editions, however, we would encourage you to look at how that work is discussed in the text, with a particular eye toward the personal feelings of African-American students.

I raise these issues neither to encourage you to stifle academic analyses of the economics of slavery, nor to interfere with the rights guaranteed by the First Amendment to the Constitution and the academic freedom bestowed upon university faculty. I raise them because of the relationship they have with Penn
State’s own efforts to increase the number and percentage of minority students, faculty, and staff. We have a major affirmative action/equal opportunity program under way at Penn State and the matter of “climate” both in and out of the classroom is an important component of that program. We are working hard at this University to be sensitive to these matters in the academic setting. Where problems are perceived to exist, we discuss them openly in an effort to clear the air and find resolution in a way which allows us to proceed in a positive fashion. Your book has been the focus of concern in this area and we believe that you would want to be aware of that so that you, in turn, could increase your own sensitivity to these issues.

Thank you for your consideration of our concerns. Should you have further questions, I would be happy to talk with you personally.

Sincerely yours,

[signature]
Bryce Jordan

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Letter from McCloskey to Jordan

November 8, 1988

Bryce Jordan
President, Pennsylvania State University
201 Old Main
University Park, PA

Dear Mr. Jordan:

I have your letter of October 21. I spoke yesterday at some length with your assistant. You have put me to considerable inconvenience, wasting my time and emotional energy. I think you owe it to me to take very seriously what I have to say.

I could not believe at first that the letter was actually from the president of Penn State. I assumed from its clumsy form and astonishing content and it had been written by a student—and no shame there, since for a student production it is above average, and students are after all in training. When I found out that you were indeed the president of Penn State I called your assistant, as you should long ago have called me.

The politically astute reaction to your letter would be to let it lie, without answering. Lord knows there is excuse for that in the crush of mail these days
(a product of the word processor and the xerox machine). Doubtless you have achieved some sort of political purpose of your own internal to Penn State by writing to me this way. I have no reason to doubt that yours is a good purpose, and anyway I am not a member of the community in which you are taking up political attitudes, and so have no standing to speak. You are a Xerxes writing to a minor Athenian to complain about the effects on some Persians of his writings.

That would not however be the scholarly reaction. You have made a statement with the form of an argument, in parts; and I am supposed to be a professional thinker and teacher about arguments. Your external rhetoric, at least, agrees with such a viewpoint, inviting me to personal talk. (True, you did not carry out the promise by in fact calling me; and the students did not trouble to engage in personal talk when I visited Penn State last year, though informed of my visit and given time.) Let me share my thoughts.

You refer to p. 451, where I, old liberal socialist that I was raised to be, mention the assumption that blacks and whites are identical except for color. You do not articulate the concern, merely state that it exists, so it is hard for me to respond. But as I say, I’m paid to try.

By not explaining what offends you and the students in the sentence you suggest that it is easy to see what it is. I do not know what your disciplinary background is. Apparently it is not economics or, I would guess, the humanities. Most people talk as though reading were easy, a matter of what a sentence says right there on the page (page 451, for example). They think that meaning comes sentence-by-sentence. But of course it does not: that is one of the chief findings of the humanities. Meaning comes from the whole reading, from beginning to end. One doesn’t understand the Gospels, say, by examining them as a book of sentences. They are a story, a characterization, a theology—all gotten by reading the whole, and reading each sentence in light of the whole.

I take it that you have not actually read the book. You appear to be relying on the readings of the students. What could an inexperienced reader make of that sentence sitting there by itself that might offend people of color?

(1.) Insultingly Stating the Obvious: The author draws attention to what is obvious, and thereby puts the obvious in question.

No. The assumption is necessary analytically for the economics: it says they are all identical, each white and black identical to a common type, **homo sapiens**. The reason it is necessary is to set aside the actual variation of ability between, say, me and Paul Samuelson or between you and Ted Williams. The phrase stresses therefore the arbitrary character of racial discrimination, a discrimination turning merely on skin color, and in no way related to actual ability. The demanders of labor in this market—the more or less discrimina-
tory employers—have a mere silly taste for white skin. The point of the question and answer is to show the consequences of a variable taste for white skin.

Blackness is not the point here, of course. On the same page, and in the context of the same problem, I speak also of discrimination by age (the Ross problem just before), by nativity, by ethnicity (the garment trade example), religion (Protestants), and gender. The last is worth noting. I am being accused of insensitivity to such matters. Yet I assign a male gender to the secretary on the page. If you trouble to read the book you will find literally hundreds of examples of this leaning against the racial and sexual and ethnic stereotypes of our age.

(2.) **Black Inferiority:** The author is sneering at the assumption that blacks and whites are identical. He believes in fact that blacks and whites are different in more ways than their skin color, and indeed he believes that blacks are inferior.

If you care, I should say that I certainly do not have these beliefs, which I regard as unscientific and immoral. I have been a self-conscious racial egalitarian from the day when I was five years old that my Irish-American father, a non-violent man, put me over his knee and spanked me in the middle of South Station in Boston for noticing that a porter did not have the same complexion as I did. Now that’s nice, of course, but the issue is the text, not the man. My contention is that no reader of the book could assume that its author believed in the inferiority of blacks or wanted students to believe such a silly thing. I do assume that blacks and whites are identical except for color, and nothing in the book implies otherwise.

On the contrary, as I have said, throughout the book I carefully avoid stereotypes. It is my accusers who indulge in the mudslinging they are alleging I show.

(3.) **No Black Distinction:** The author believes that black culture is insignificant, and that there are no worthy and admirable differences between Irish-Americans and Afro-Americans.

Again I can’t resist saying that you mistake your man, and would do more good by inquiring into the places in University Park with real racists and real anti-blacks than to harass a pro-black professor in Iowa, a long-time civil rights advocate, a marcher in the 1960s, etc., etc. But the text, not the man, is at issue. Again a reading of the whole book, or even the chapter, or even the page, would not suggest that any disparagement of black culture was being taught. In a certain special sense the charge is justified; yet only in a sense that it is justified of every economics text. By this I mean that economists are professionally and scientifically committed to ignoring culture entirely. It is part of the famous “ceteris paribus” clause. But it is not “anti-culturalism,” if
you see what I mean, not advocating this or that culture as superior to others, or taking a stand on whether or not there are important cultural differences.

Try as I may I can't think of any other misreadings of the sentence that would lead to concern.

I guess I conclude that the concerns are wholly unfounded. Why then all the fuss? I would guess there are two reasons.

First, my book is the toughest on the market. The professor who assigned it—who I salute as a brave person in the face of student McCarthyism—evidently wanted his students to know what actual economic thinking was like. The book attempts to teach students to think like economists. Thinking is painful. The book requires the students to think for themselves, to order a chaotic world, to learn to talk in a language that is more than a matter of new vocabulary. Students find it tough, and look for some reason to dismiss it, in order to retain their self-esteem in the face of this challenge—a subject that does not yield easily to the techniques of rote memorization that served them in highschool. We all do this to some degree when faced by similar failures of our usual techniques. The book has a candid style, startlingly different from most textbooks the student reads. The natural thing to react against is the style.

Second, the students probably felt uneasy when reading my discussions of race and slavery. The book is unique in treating these at some length. One might imagine that such a discussion would be welcomed by students of African ancestry, but of course one would be wrong. The students have become accustomed to finding in highschool textbooks the most conventional accounts: blacks are always good people set upon by circumstances, or else the textbook does not get adopted by the California textbook authority. I wonder why the black students do not find this sort of thing patronizing. Maybe some of them do, but their voices are drowned out by the shouters. I have no trouble understanding that the unease at real engagement with the issues of race and discrimination in our culture comes from unhappy experiences the students have in the rest of their reading. They are accustomed I know to finding with monotonous regularity actually racist remarks when a piece of writing is about blacks. I think I can understand, then, their misreaction to any discussion whatever of racial issues. Even I as a non-victim can see the racist assumptions in discussions of race (e.g. by Zora Neale Hurston in her anthropological work, by contrast with her fiction, which rises above her own racism). It makes me angry at the pervasive racism of our culture, which affects even black writers.

But it’s my opinion that we do better to discuss slavery and racism and the rest openly. Since the book tries to teach people to think like economists, the openness is economic. I know it’s shocking to talk about these matters in
economic terms, when one has become accustomed to the dishonest way that highschool texts and television programs have to treat such issues. But you and I are committed to providing our college students with a reality check. In the real world, after all, there was a time when Afro-Americans were treated as machines, and it behooves Americans of African ancestry to get the economics of it straight. (May I point out that the time was only a little more remote when the Irish peasants of my ancestry were treated similarly: we all come from slave backgrounds, which makes it all the more important to understand the economics of slavery.) It is true that blacks will earn lower wages if they are forced to seek employment from the most viciously racist employers. Ask a black student’s father. (And ask my great grandfather, in the days of No Irish Need Apply.) A college education, for all the sneering that the ignorant are accustomed to indulge in about it, concerns realities. It is supposed to make people uncomfortable—not to offend them pointlessly or with evil intent or effect, but to make them uncomfortable with, say, the Bill Cosby level of moral and social discourse. It’s the uneducated who live in the ivory tower, a comfortable place with a good TV in which nothing important is discussed honestly, candidly, or thoroughly. Look at the uneducated election campaign we’ve all just gone through, and reflect on its long-term effects on racial relations in the United States.

The other issue that you raise is what I should do about the concern. You try to get out of saying what you want in so many words, sprinkling your letter with “I hope” and similar words of apparent moderation. But what you want is not moderate at all. What you are asking for is the right to amend my work to suit your misunderstanding of its moral purposes.

Let me be perfectly clear that I am not going to accede to your demand. I would literally rather go to jail. I must resist of course any such request for censorship, however politely expressed—and yours is clumsily and insultingly expressed—or however influential the requestor—and you are very influential. I would have thought that the president of Penn State would know this, but these are bad times for free inquiry, when those who are supposed to defend it shirk. I won’t. Your request for revision is politically motivated and wholly unreasoned, and I must resist it with all my tiny strength. I’m certainly not going to “work with [my] editors to see what might be done”; you command, in legal terms.)

Enough on my work. You must rethink your own. Your letter is a pointedly threatening one. The students went to the chair of the Economics Department and tried to lean on him to drop the book. If they are successful it will be another victory for mediocre texts that do not teach economics and do not acknowledge
the existence of Americans of African ancestry. You say that my book has “been the focus of concern.” Visions of picketing. A sentence is to be “deleted from forthcoming editions.” You and I know what threat backs this up. The next step is to write to my publisher. Doubtless the students already have. Good job. Push and shove; that’s how you propose to reason.

It is highly presumptuous of you to “believe that [I]…could increase [my] own sensitivity to these issues.” What do you know about my sensitivity? By what right do you claim to instruct me in it? You have yourself exhibited gross insensitivity to the most important matter in academic life—free inquiry and expression. I exhibit on every page of my book, uniquely in an economics text, a sensitivity to the identities people have. Yet I am to be instructed in sensitivity. I am reminded of the reaction to Robert Fogel’s book *Time on the Cross*, attacked in similar terms as racist. The attackers had not bothered to ascertain that Fogel’s wife of 25 years was black and his two grown sons black, too.

Do you realize how frightening such a letter would be if received by some professor less sure of his rights than I am? A powerful and remote person assures him that he is not going to take away his academic freedom, but demands that he alter his books (by the way, you are misinformed: I have done no scholarly work on slavery; my field is British economic history). Can’t you imagine some unworldly person being terrified by such assurances backed with veiled threats? But you are not sensitive to this.

Your assistant wants me to assume that you are a man of good will. But you have made no such assumption about me. I would have helped you if you had come to me with your problem, by the phone call you so disingenuously promise. Instead, you drop this minatory and childishly written letter on me. No outline is given of the procedures followed, or an explanation of how such an issue got to the level of the president’s office. I am not told of attempts to persuade the students of the plain truth, that I was stating explicitly, in a spirit of egalitarianism expressed repeatedly elsewhere in the book, an assumption that is necessary for the technical analysis and in itself is not only innocuous but commendable and morally right. Again the implication is that the sentence is patently offensive, and that I am on the face of it guilty of insensitivity.

I have to infer that you made the decision to write this appalling letter on grounds of political expediency. You judged that harassing, frightening, and attempting to coerce a professor in Iowa, and in the process abandoning your chief mission as a defender of truth, was worth getting the students off your back. You caved into the students without talking to me, without reading the book, without consulting other economists and economic historians on the book, and above all without thinking through the consequences for the values you claim to defend. You will forgive me if my opinion of the administration of Penn State is low. On my trip
last year I had acquired a high opinion of your faculty in accounting, economics, and the teaching of writing. It is not the first time that a faculty does not have the administration it deserves.

You talk of your concerns. Your letter raises concerns of my own, not the least the concern that a president of a major university would cave in to McCarthyism on his campus. You are presumably old enough to remember the cowardly way that most college presidents behaved when people expressed “concern” about the political opinions of faculty after the War. But you have calculated that it is worth the cost in damaging me to gain a political advantage at home. I urge you to think through what you have done.

I have wider concerns. My concern is that you represent a new breed of administrators with a feeble understanding of academic freedom (which is not “bestowed” by anyone; it is a fragile social custom, easily taken away, by such actions as yours). My concern is that you and your students have somehow gotten the idea that democratic life is a matter of making demands and issuing orders. My concern is that your rhetoric of “sensitivity” is a cover for attacking the most vulnerable parts of the society, the conversations of serious people. Most of all my concern is that we college professors are somehow not educating people to what real sensitivity to moral issues is about, something beyond Dr. Feelgood “concerns” unarticulated and backed by threats of boycott and uses of authority. But I can’t threaten you in turn to get you to respond to my concerns. I can only reason with you.

Sincerely,
[Signature]
Donald N. McCloskey
John F. Murray Professor of Economics and Professor of History
Chair, Search Committee for Academic Vice-President

References