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Adam Smith and Liberal Economics: Reading the Minimum Wage Debate of 1795-96

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Mention Adam Smith to someone on the street and she might envision the inspirer of the Adam Smith necktie, an apologist for big business, and an icon of conservatives. In scholarly circles, however, a rival interpretation of Smith has gained ground in recent decades. This Smith is friendlier to the poor than the Smith imagined by our woman in the street, and also less unfriendly to government intervention. Leading exponents of this new view include the modern scholars Samuel Fleischacker and Emma Rothschild, who suggest that Smith's vision of society could be compatible with policies and attitudes in deep tension with *laissez-faire*. Fleischacker, for example, advocates "education, health care, unemployment protection, etc. for everyone," severe financial penalties for factory closings, mandatory stakeholder democracy within corporations, and strong antitrust restrictions targeted at "labor monopsonies" (Fleischacker 2004, 208, 276-277). Rothschild argues that progressive taxation and "intervention in markets for labor, land rental, and public works" are consonant with Smith's mindset (Rothschild 2001, 82-83) and strongly implies that minimum wage legislation is so as well (Rothschild 1992, 92-93).

A close look at Rothschild's discussion of Adam Smith and minimum wages serves as a kind of case study of the power and danger of the "left Smithian" perspective. The historical debate over a minimum wage proposal in 1790s Britain plays a central role in her remarkable essay "Adam Smith and Conservative Eco-

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nomics” and is discussed by other contemporary authors as well (Lux 1990, 31-32; Fleischacker 2004, 264; McLean 2006, 90-91). Rothschild’s overall argument is that conservatives hijacked the true legacy of Adam Smith and transformed him into a two-dimensional “hero of commerce” whose works conveyed one and only one lesson: that “all trade should be free.” The real Smith, she contends, was warmly sympathetic to the poor, favored political as well as economic liberty, and tolerated “government interference, especially when the object is to reduce poverty” (Rothschild 1992, 93). The two rival interpretations of Smith clashed when the British parliament discussed the correct response to the grain crisis of 1795-96. In the winter of 1795, in response to abnormally high food prices, a Whig reformer named Samuel Whitbread proposed a bill to establish what Rothschild describes as a minimum wage for agricultural workers. The idea’s defeat at the hands of the then-premier, William Pitt, marks in her view the triumph of the “conservative” interpretation of Smith—namely, a Smith rigidly bound by “general principles”—over the left interpretation represented by Whitbread—namely, a Smith warmly compassionate toward the poor and quite open to contravening free-market principles on their behalf. Although Rothschild acknowledges, fairly, that “there is something of Smith in both sides of the parliamentary debate,” she clearly believes that Whitbread “is in many respects closer to the ‘real’ Smith, or to the real *Wealth of Nations*” (Rothschild 1992, 86).

Rothschild’s *overall* historical argument, it should be said at this point, is intriguing. Adam Smith, during his lifetime, was friendly to the radical ideas about human equality then associated with French intellectuals. He died, however, before the French Revolution entered its more sanguinary phase. Smith was then initially (and posthumously) “claimed” by the pro-French side of the Revolution Controversy—a side which included Thomas Paine and Mary Wollstonecraft. However, once the French Revolution began to spin out of control, a fearful reaction seized Great Britain. Men were actually tried and punished in Scotland for expressing opinions, such as opposition to jingoism and excessive public debt, which were very close to Smith’s own opinions. Out of self-preservation, Smith’s intellectual heir—Dugald Stewart—minimized the political side of Smith’s view of liberty and highlighted only a truncated message of economic freedom that would not be threatening to the authorities. This maneuver laid the groundwork, according to Rothschild, for “left” and “right” streams of Smithian interpretation in the nineteenth and twentieth century; the one associated with the common man, political liberty, and equality and the other with the political status quo, employers, and *laissez faire* (Rothschild 1992, 78-82).

However grounded this larger argument may be, Rothschild is much less convincing when she apparently associates the “real” Smith with the proposal promoted by Samuel Whitbread. Since skepticism that minimum wages help the

poor is a key element of orthodox economics, to claim that advocating such a policy accurately channels Adam Smith requires at least some acknowledgement of the incongruity. Rothschild could, for instance, have argued that a “Smithian” analysis of such a policy would differ from the later neoclassical one. She could then have argued that this Smithian analysis was simply wrong; or, alternatively, that Smith or his interpreters grasped on an inarticulate level the case for minimum wage legislation advanced in the late twentieth century. It would not be the only time Smith correctly differed from later orthodoxy. Special theoretical situations where a minimum wage could—conceivably—help workers have long been acknowledged (Stigler 1946). And of course the empirical controversy sparked by Card and Krueger’s 1994 paper still sways back and forth, with first one side then another claiming victory (Neumark and Wascher 2008 defend the view that the regulations are counterproductive). Rothschild however makes no attempt to address the incongruity at all. She must be aware of the view that minimum-wage laws give rise to employee-adverse alterations in job offers and in non-wage job attributes. This omission would be less of a problem if her article did not favor Whitbread (as characterized in the article) and the associated interpretation of Adam Smith. She calls for “modern economic inquiry” to “move...beyond the 1790s, to something closer to Smith’s own conception” and implies that this conception could entail considerable government intervention, of which the minimum wage is only one example. In this view of Smith, a presumption in favor of free markets must often be balanced with concern for the poor (Rothschild 1992, 86, 92, 94).

Rothschild runs into interpretative difficulties, I will argue, because she presses an ill-fitting frame onto the historical debate. The frame she uses is polar: “left” or “right”/“conservative”; “warm” or “cold”; “for justice” or “for the general principles of political economy.” Government intervention and notions of equity are associated with the first element of each opposition. This opposition not only does violence to Smith’s own views, but also leads to an incomplete characterization of William Pitt’s discourse in the historical debate. By construction, Rothschild’s analysis doesn’t consider the possibility that Pitt may actually have been right, whatever his role promoting conservative policies in other areas. By backing off from Rothschild’s presumed connection between government intervention and real benefit to the poor, we can get a clearer picture both of the minimum wage debate and Smith’s own views. To foreshadow the result, we’ll weaken the link between compassion for the poor and government intervention—and argue that the opposition between the “two strands” of Smithianism is an unnecessary one.

Pitt Versus Whitbread Reread

Starting around May of 1795, grain prices in Britain began to climb significantly and stayed between 66 and 100% higher than usual until October of 1796 (Stern 1964, 169). The rural poor were seriously affected by the increase in living costs. To assist them, the MP Samuel Whitbread introduced legislation, in December of 1795, that justices of the peace (that is, county-level officials) should have the ability to fix minimum wages for “labourers in husbandry” (*Parliamentary History* [PH], XXXII, 700-705). After a Parliamentary recess, discussion of the bill resumed in February 1796 with another speech from Whitbread. In Rothschild’s characterization, Whitbread “...was strongly influenced by Smith...[and] followed the *Wealth of Nations* [WN] closely in his parliamentary presentation.” She bolsters Whitbread’s Smithian credentials with several passages from the WN in which Smith’s sympathies lay with the laborers over the “masters”, and seemingly smiled on “regulation[s]...in favour of the workmen” (Rothschild 1992, 84).

William Pitt, at that time both the prime minister and the Chancellor of the Exchequer, answered Whitbread with a long speech. For Rothschild, Pitt’s interpretation of political economy was “very different” from Whitbread’s, relying on the “unassisted operation of principles.” His alternative solution, a reform of the poor laws to allow workers to circulate freely throughout the country, was attacked by Whitbread and his allies as too slow given the urgency of the crisis; and Rothschild implies that Smith wouldn’t have approved of his rigid adherence to “general principles” and “systematical” policies (Rothschild 1992, 85).

The necessarily compressed account of the debate in “Adam Smith and Conservative Economics” could not cover much that is relevant, in both details and historical context. To begin with, the use of the term “minimum wage” overstates the resemblance between Whitbread’s proposal and modern regulations of the same name. Whitbread and his ally Charles Fox did, it is true, cite rudimentary statistics suggesting that the cost of living was outstripping rural wages (PH, XXXII, 703-704). And although Smith is not named by any debate participant, Whitbread challenges what appears to be Smith’s wage theory as a “deductio[n] of reason” that is “confuted by experience” (PH, XXXII, 703). The consequences of falling real wages, Whitbread and Fox thought, were disastrous. Impoverished workers increasingly had to rely either on private charity or the poor rates. The first alternative was “precarious and degrading” and the second undermined the British political order since anyone who had received poor relief was in the future ineligible to vote. Fox asked “what...was the state of a country

which first compelled every poor man to dependence, and then reduced him to servitude?” (PH, XXXII, 702).

However, Whitbread’s proposed policy bore little resemblance to the uniform minimum wages set by modern governments and adjusted infrequently by statute. His proposal was, instead, linked to an existing 16th-century act that allowed justices of the peace to fix *maximum* wages for agricultural labor in their county at their quarterly administrative sessions. He did not “[commend] the principle of these statutes ...[which] operated as a clog to industry, by permitting justices to fix the maximum of labour” and indeed they gave the magistrates power to “oppress the labourer” (PH, XXXII, 704-705). However, given that such statutes existed, at least the justices of the peace could be given power to fix a minimum wage rate as well and relieve the immediate suffering of laborers. Whitbread’s idea was therefore much more flexible than modern minimum wages in both duration (quarterly adjustments) and geographic extent (counties). More importantly, it was presented in the context of an existing power by the same officials to set maximum wages. Rothschild’s essay does note Whitbread’s low opinion of this law in passing (1992, 84) but not his express hope that, even if his full proposal is rejected, Parliament should at least repeal the existing act (PH, XXXII, 701). Even if they actually were “Smithian,” then, Whitbread’s wage proposals in context seem much less *dirigiste* than modern laws.



Limited English labor mobility at the time suggests another way in which Whitbread’s proposal seems less interventionist. Charles Fox, Whitbread’s ally and party leader, complained that “a griping and avaricious employer...might be disposed to take advantage of their [workers’] necessities, and undervalue the rate of their service” (PH, XXXII, 701-702). Although he would not have thought in such terms, what Fox really describes is market power on the part of the employer. In this situation, a minimum wage has at least a chance of theoretical justification (Stigler 1946). Such a response seems much less unreasonable if the market power results from workers being tied to a parish and unable to move in search of better wages and conditions—the possibility explicitly discussed by Smith with respect to the Law of Settlements (WN I.x.c, 152-157).

Of course, the obvious first-best solution to the problem of “undervalu[ing]” that Fox pointed out would be reform of the law restricting labor mobility. William Pitt easily saw this point in his speech responding to Whitbread’s proposal. The deeper causes of the crisis, he explained, were abuses in the poor law system that

“prevented the workman from going to that market where he could dispose of his industry to the greatest advantage, and the capitalist, from employing the person who was qualified to procure him the best return for his advances.” These effects of the law of settlements were themselves a warning against Whitbread’s wage-fixing proposal; Pitt notes that “such were the institutions that *misguided* benevolence had introduced, and, with such warnings to deter, it would be wise to distrust a similar mode of conduct” (PH, XXXII, 707-708; emphasis added).

Rothschild does acknowledge Pitt’s reform proposals in passing, but doesn’t remind the reader what the law of settlements actually was. Out of this context, Pitt’s proposed reform sounds like technocratic tinkering—a cold “defence of the ‘unassisted operation of principles’” more important to him than the immediate suffering of the poor, whose plight “was [not] strong enough for the exception [to the general rule of non-interference].” Nor does Rothschild mention the strongest part of Pitt’s case—his question “whether the means proposed [i.e., a minimum wage] were suited to the object intended” (PH, XXXII, 706). To all appearances, Pitt was sincere in his belief that the minimum wage proposal would have unintended negative consequences. His speech on February 12, 1796 was more than three times as long as Whitbread’s, much longer and more carefully composed than it needed to be if dismissing the concern was his only goal. Pitt openly acknowledged that a problem existed, and expressed his goal to “find out the causes of the evil, and...remov[e] the causes...” by a “remedy...more general in its object, less exceptionable in its example, and less dangerous in its application.” (PH, XXXII, 707).

Pitt’s proposed reforms were actually quite radical, fracturing any portrait of him as heartless or unimaginative. He proposed to alter the Poor Law so that a workman would not be forced to move to his parish of birth just because he applied for relief—a major benefit if unemployment was only temporary or the worker’s home parish had little demand for labor (PH, XXXII, 707). He clearly was not opposed to emergency relief in principle; he wanted the law to “make relief in cases where there are a number of children, a matter of right and an honour, instead of a ground for opprobrium and contempt... [while at the same time] engraft upon [the law] resolutions to discourage relief where it was not wanted [that is, truly needed]” (PH, XXXII, 710). Pitt preferred to “[supply] the necessities of those who required assistance by giving it in labour or affording employment” and furthermore sought to encourage membership in “friendly societies [through which] individuals would be rescued



from becoming a burthen upon the public, and, if necessary, be enabled to subsist upon a fund which their own industry contributed to raise.” He opposed a requirement that the poor have no assets before receiving aid, and spoke in favor of what we would call trade schools. With the exception of his advocacy of “the industry of children” his proposals would not be far out of place in a modern democracy. Orthodox economics would agree that his policies would “tend ... to remove every complaint to which the present partial remedy [i.e., Whitbread’s legislation] could be applied” (PH, XXXII, 710-711). Although it is difficult to know if a more flexible labor market on its own would have raised real wages enough to prevent hunger, Pitt’s direct relief proposals would seem a sufficient backstop against that contingency. Whitbread’s minimum wage idea, by contrast, was not nearly as comprehensive and much more hazardous.

The glaring flaw in Whitbread’s idea, from the perspective of modern labor economics, was pointed out even by a backbench participant in the debate. The MP, Buxton, argued that

... the bill did not appear likely to be of much service, for if the price of labour were to be fixed by the justices of the peace, he feared many industrious people would be thrown out of employ...those who by sickness or old age were rendered incapable of doing so much as a common labourer, and who would consequently be rejected for persons of more strength and activity. (PH, XXXII, 712)

Ultimately, even Whitbread partly recognized the force of this reasoning. He congratulated Pitt on his “able and eloquent speech” and strikingly acknowledged that “If the poor laws were actually such, as the right hon. gentleman has stated they ought to be, it would not have been necessary for me to have brought forward any proposition.” In other words, Whitbread himself conceded that Pitt’s measures were the correct long-term policy, although he still thought his bill useful as a form of immediate relief. Fox, too, acknowledged the superiority of Pitt’s long-term analysis: “If what [Whitbread] had brought forward should induce the House to go into a full examination of the subject [of the Poor Laws]...he would not only have accomplished his own benevolent intentions, but would have done a much greater service to the country, than even if the bill which he had now brought forward were adopted” (PH, XXXII, 713-715). It is difficult to argue that Whitbread was the true heir of Smith in this debate, when both he and his party leader paid such tributes to their opponent.

A contemporary anecdote reinforces this view of Pitt as a true Smithian. Lord Sidmouth (previously Henry Addington, himself a prime minister) recollected a dinner in which both Pitt and Smith conversed. Afterward, Smith remarked

“What an extraordinary man Pitt is—he makes me understand my own ideas better than before” (Pellew 1847, 151).

Smith’s Views on Wages

What were Smith’s own views on wages and the well-being of the poor? Rothschild appeals to quotes from the *Wealth of Nations* and Smith’s lectures on jurisprudence to suggest that the real Smith was closer to Whitbread’s minimum wage stance than to Pitt’s defense of general principles (Rothschild 1992, 86). However, as many commentators on similar left-Smithian maneuvers have already pointed out (Den Uyl 2005; Muller 2006; C. Smith 2007; Otteson 2011, chs. 6,9), the conflict between “principles” and compassion that Rothschild tries to establish is spurious, in the main. A better explanation is that Smith believed that his principles, or, better put, the operation of the market system of natural liberty, *were* good for the poor. In this framework, it seems likely that Smith (had he lived) would have had a just regard for the workers and simultaneously resisted demands for a minimum wage. A closer look at the quotes from Smith that Rothschild employs supports this interpretation.

The first “proof text,” to speak loosely, comes from Book One of the *Wealth of Nations*. Here Rothschild cites Smith’s observation that “[w]hen the regulation, therefore, [of wages or working conditions] is in favor of the workmen, it is always just and equitable; but it is sometimes otherwise when in favor of the masters” (WN, I.x.c.61, 157-158). Rothschild seems to take this as a forward-looking benediction on *any* regulations in favor of workmen, but the context makes it clear that Smith is mainly assessing political experience. The passage opens with a discussion of the *maximum* wage laws, and then observes that “[w]hensoever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters” (WN, I.x.c.61, 157). This sentence was the reference of the word “therefore” in the passage cited by Rothschild (“When the regulation, *therefore*”) although she actually omits it in an ellipsis. As George Stigler points out, the paragraph is puzzling—why would the legislature, dominated by the interests of the employers, ever pass a just and equitable law in favor of the workers (Stigler 1971, 139-140)? The most reasonable answer seems to be that the best workmen could hope for was “merely” justice and equity, since they would never get actively favorable treatment and in fact often suffered from active *injustice* such as maximum wage laws. When he advocates prohibition of truck (or in-kind) wages, Smith notes that “...it imposes no real hardship on the masters” which is consistent with a view of a legislature grudgingly conceding fair treatment to workers only when not too costly to the employers (WN, I.x.c.61, 158).

Furthermore, it is possible that in practice Smith's proposal would not actually restrict employment contracts (for if the worker is agreeable to receiving payment in-kind, what bite would the law have?) but rather would empower workers to appeal to law to receive cash payments as agreed (Clark 2010, 2011). Nothing in the passage suggests that Smith wants active government interference (in a modern social democratic sense) on behalf of the workers; we infer that he would simply like to see them treated as legal equals to employers, with respect to "combinations" for instance.

Before passing on, it is worth noting that in the paragraph immediately preceding the first "proof text" Smith had approvingly quoted a passage opposed to wage regulations. "[I]t seems time to lay aside all endeavors to bring under strict regulations, what in its own nature seems incapable of minute limitation" (WN, I.x.c.60, 157). And elsewhere Smith says that "experience seems to show that law can never regulate [wages] properly, though it has often pretended to do so" (WN, I.viii.34, 95). Likewise on the assize (price control) of bread he comments that "[w]here there is an exclusive corporation [monopoly], it may perhaps be proper to regulate the price of the first necessity of life. But where there is none, the competition will regulate it much better than any assize" (WN, I.x.c.62, 158). Though these comments do not refer to minimum wages specifically, there seems to be no reason Smith would have changed his analysis when thinking about a price floor.

Rothschild next appeals to a famous passage from Smith's "Wages of Labour" chapter:

No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labor as to be themselves tolerably well fed, cloathed and lodged. (WN, I.viii..36, 96)

These powerful words clearly convey a deep regard for the welfare of the poor. They contain no suggestion, though, that Smith advocates some legislative scheme to raise wages. He has just observed that wages have *in fact* already risen due to market forces; he's saying that this is a good thing, and not something to regret: "Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society?" (WN, I.viii.c.36, 96). Smith has just spent the previous six long paragraphs arguing that real wages in Great Britain are above subsistence level and that standards of living have risen during the eighteenth century (WN, I.viii.c.35, 95-96). His real target here was the jaundiced view that begrudged the poor these improvements: "the common complaint that luxury extends itself even to the lowest ranks of the people, and that

the labouring poor will not now be contented with the same food, cloathing and lodging which satisfied them in former times...” (WN, I.viii.c.35, 96). Just as in the earlier passage about “regulations” Smith is concerned to put the poor on a footing of equal dignity with the rest of society, able to enjoy what they have rightfully earned.

The final passage Rothschild cites in the immediate context of the wage debate is Smith’s claim that wages are “regulated” by “common humanity” (Rothschild 1992, 85). It is not easy to unpack what Smith means here, but whatever is doing the regulating certainly does not seem to be government. The full passage is

...the wages of labour seem, in the present times, to be evidently more than what is precisely necessary to enable the labourer to bring up a family ... [t]here are many plain symptoms that the wages of labour are no-where in this country regulated by this lowest rate which is consistent with common humanity. (WN, I.viii.28, 91)

Smith’s phrasing here—and particularly the words “this lowest rate”—strongly suggest that “common humanity” means only subsistence wages. This conclusion is consistent with Smith’s discussion of wages in China, which he thought was not experiencing economic growth (WN, I.viii.24, 89). From his description of the extreme poverty of the Chinese it is clear that the forces that Smith thought “regulated” wages were population growth and famine. In Smith’s view, increased population growth would tend to drive wages towards subsistence. This, to him, was just a fact about the world. There is little ground for reading any moral or political decision into the phrase “common humanity.”

The only way that workers could become prosperous was if wages raced ahead faster than increasing population. The mechanism by which this could happen obviously matters for this discussion: it is another clear test of the conflict, and of the concord, between Rothschild’s twin themes of “general principles” and concern for the poor. Wages rise, Smith thought, with increases in the demand for labor:

When in any country the demand for those who live by wages; labourers, journeymen, servants of every kind, is continually increasing...the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen, and *thus voluntarily break through the natural combination of masters not to raise wages.* (WN, I.viii.17, 86, emphasis added)

Rising “demand for labour” therefore promotes higher wages, without any need for outside intervention. And the demand for labor itself comes from “the increase of the revenue and stock of every country, *and cannot possibly increase without it*” (WN, I.viii.21, 86-87, emphasis added). When a landlord or rentier achieves a surplus over immediate maintenance, he hires a servant; when a workman accumulates more stock than he needs personally, he hires a journeyman. Smith clearly thinks that this beneficial process proceeds best when not meddled with by the government. He writes that “the general industry of the society never can exceed what the capital of the society can employ ... *no regulation of commerce* can increase the quantity of industry in any society beyond what its capital can maintain” (WN, IV.ii.3, 453, emphasis added), and he generally trusts individuals to be good stewards of their own business decisions.² He argues “...the study of his own advantage naturally, or rather necessarily leads [the holder of capital] to prefer that employment which is most advantageous to society” (WN, IV.ii.4, 454) and explicitly rejects government meddling: “...every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him” (WN, IV.ii.10, 456). Smith explicitly views the accumulation of capital as beneficial to the less well off; when someone saves, he “not only affords maintenance to an additional number of productive hands, for that or the ensuing year, but, like the founder of a publick workhouse, he establishes as it were a perpetual fund for the maintenance of an equal number in all times to come” (WN, II.iii.19, 338). Finally, Smith notes that only profit can give owners the incentive to invest their stock in this way (WN, I.viii.7-8, 82-83). Although he was suspicious toward the *political* power of merchants and the rich, in the economy of an enlightened and virtuous society Smith saw a tolerable harmony of interests between those who live by wages and the owners of inanimate capital.

A Reunified Smithian Point of View

Should anyone besides historians really worry about what Adam Smith thought about such-and-such an issue? No one would consult Copernicus on string theory; why parse Smith on minimum wages? Kenneth Boulding (1971) observed that economics is not one of the disciplines—such as theology or literature—in

2. This trust is only general, and not universal. There are a few exceptions. For instance, Smith famously (or infamously) argues for the prohibition of small denomination banknotes on the grounds that they would allow “mean people” to enter the banking business, and that the poor would be harmed by the “frequent bankruptcies to which such beggarly bankers must be liable.” He argued that, although this indeed was a violation of “natural liberty,” such a relatively small violation was justified to prevent much greater harm to society (Smith, WN, II.ii.90-94, 323-324).

which ancient texts remain completely relevant to the present conversation. Neither, though, is economics like physics or biology in which only the most up to date contributions matter. The presence of interpretation and judgment in economics means that Smith, and other canonical authors, can still inspire broad *directions* for modern scholars even though we do not consult them any longer for up-to-date technique. With this outlook, whether Smith would have opposed minimum wages or not does not, of course, close the modern debate. But it does outline a point of view that later scholars can enter into and try to refresh with modern tools.

With respect to a crisis of subsistence, then,—which is what the 1795-96 debate was really about—the Smithian point of view might well contain the following elements. First, do no harm. Do not impose a counterproductive policy, such as a minimum wage. Next, as Pitt argued with respect to the law of settlements, remove any existing restrictions on natural liberty that are making the situation worse. Finally, if the above measures are either infeasible or insufficient to relieve present suffering, consider well-designed private or public relief as Pitt did in his reform proposals. This policy solution is inevitably somewhat speculative, since Smith never confronted the exact circumstances of 1795-96, but the first and second elements in particular are clearly compatible with his writings. Discussing the effects of sudden sectoral disruptions in the labor market, for example (such as came from military demobilization, or might come from the restoration of free trade) Smith's prescription was to reform the law of settlements and break down the restrictive apprenticeship and corporation laws (WN IV.ii.42, 470). Here and elsewhere, with only slight exception,³ he opposed interferences with workers' natural liberty (the freedom to move and contract wherever they chose). His stance on tax-financed relief is less clear; although he never explicitly advocates it, he never explicitly opposes it either.⁴

How would this ostensibly Smithian approach have fared in the crisis of 1795-96? Frost and floods led to a poor 1795 harvest, and war with France of course raged in Continental Europe. Whitbread's proposal, a violation of the "first do no harm" principle, was indeed voted down; but other forms of government interference may have worsened or even caused the crisis. The British government

3. For example, Smith suggested that, to ensure a certain level of learning, the state might require that the individual pass an examination before he or she entered certain trades, occupations, or offices. Note that Smith entertained this idea *as an alternative* to "giving salaries to teachers" or "giving itself [the state] any trouble about providing them [the people] with proper teachers" (WN, V.i.f.57, 786; V.i.g.14, 796).

4. Smith's famous description of the proper duties of the sovereign (WN, IV.ix.51, 687) probably tips the scales towards a negative view. In the "system of natural liberty," as Smith describes it, the government has only three roles: national defense, maintenance of justice, and the provision of "certain public works and certain public institutions" which Smith describes according to the modern understanding of public goods. Central government relief would seem to fit only awkwardly into this third category.

took it upon itself, starting apparently as early as January 1795, to purchase wheat abroad and to handle all importation through chartered or government-owned ships—all on government account. With the government in the market, no private merchants traded in grain, and the state's performance was uneven. A state-sponsored fleet dispatched to collect part of the bountiful Canadian harvest of 1794 allowed half the cargo to spoil in hot conditions. Subsequently, fearing food shortages in Canada itself, the Governor-General embargoed further exports from the country. Finally, in November 1795 Parliament passed an act forcing the government to cease its grain-importing activities; by March 1796 (shortly after the Pitt-Whitbread debate) private grain imports began to reach England, easing the crisis. Indeed, grain imports in 1796 were three times those of 1795, although an unknown portion of these were due to government orders in arrears. Though all this at least suggests that state interference was the source of the trouble, the principal economic historian to closely study these events blandly foreclosed the idea—after all, “[t]he consequences of events which did not happen [that is, non-intervention in the grain market] are not amenable to historical proof” (Stern 1964).

Nor was government grain trading the only policy violating Smithian principles. Efforts by bakers during the crisis to substitute other grains for scarce wheat were hampered by regulations, the so-called “assize of bread,” which was a convoluted legislative survival from the Middle Ages. The assize defined the various types of bread which could legally be sold, fixed their price, and (in theory) set the allowable weight of the loaf proportionate to the price of wheat. The adjustment process broke down during the grain crisis, however, and the bakers reported that “they were not allowed enough to pay for manufacturing, and in many cases were considerably out of pocket” (Webb and Webb, 1904). Although Parliament authorized—and in fact commissioned—various attempts to find substitutes for wheat, the controls on bread hampered such adaptation: “the law laid down in detail what grades of wheaten bread could be sold and how to price them, making allowance neither for the introduction of a higher extraction rate for flour nor for the fixing of a price adequate to remunerate bakers” (Stern 1964, 185). Once again it was William Pitt who rightly assessed the situation, noting (on 3 November 1795) that “as the law stood, the farmer had an interest in preventing [the highest quality wheat] from coming into consumption” (PH, XXXII, 235-237). And it was Pitt who secured a relaxation of the assize for London and its hinterland, although not until 1797 (Webb and Webb 1904, 212). It seems at least plausible, then, that some or even much of the food crisis of 1795 was caused by foolish government policy. Ironically, then, the historical situation held up, by Rothschild and others, as justifying government intervention may itself have been a result of various governmentalizations of social affairs. What's been briefly discussed here is only a *prima facie* argument for that conclusion, of course, but

it points to a basic danger: Combing Smith's texts for support for intervention can distract from his simple, obvious, yet extremely important maxims and presumptions about not tampering with free markets.

To sum up, we have seen how two sets of considerations—further details from the Parliamentary debate between Pitt and Whitbread, and a close reading of Smith's own views on wages—serve to complicate Rothschild's implication that a “warm” Smithian tradition favored the poor, and a degree of government intervention, while a “cold” tradition adhered to free-market principles at the poor's expense. It may well be true, as Rothschild argues, that the French Revolution made it safer to advocate economic rather than political freedom in the Britain of the 1790s—and that this historical circumstance helped to associate free-market economics with political conservatism. But there is a wide gap between this claim and the implication that Pitt's defense of market principles was less true to Smith—and less compassionate towards the poor—than Samuel Whitbread's ideas. Smith believed that the market system of natural liberty was good for everyone, rich and poor alike. He opposed government intervention in the price system, not merely because principles are important, but also because he did not think that intervention would work. Pitt's impulse to remove the restrictions on natural liberty harming the workers was deeply Smithian, as was his fear of causing harm with a well-intentioned but ultimately destructive policy. His opponent Whitbread, of course, was no villain, and the two men ended their debate in tolerable agreement and cordiality. Rothschild's narrative misses this rough concord between the two British parliamentarians just as it misses the possibility of concord between concern for the poor and concern for free-market principles. Smith himself would not have split his thought in the way expounded by Rothschild. He held that free-market principles, the principles of natural liberty, were presumptively better for the poor than any contravention of those principles. To conclude by paraphrasing Rothschild's own closing words from “Adam Smith and Conservative Economics”: The interesting project, for both economics and intellectual history, is to move back in time and reunify the two sundered strands of Smith's thought in a way faithful to his own ideas.

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Economics Professors' Favorite Economic Thinkers, Journals, and Blogs (along with Party and Policy Views)

William L. Davis¹, Bob Figgins², David Hedengren³,
and Daniel B. Klein⁴

[LINK TO ABSTRACT](#)

We sent a survey to economics professors through out the United States, and 299 returned a completed survey. The survey asked about favorites in the following areas:

- economic thinkers
 - who wrote prior to the twentieth century
 - of the twentieth century, now deceased
 - alive today
 - age 60 or over
 - under the age of 60
- economics journals
- economics blogs

1. Professor of Economics, University of Tennessee at Martin, Martin, TN 38238.

2. Professor of Economics, University of Tennessee at Martin, Martin, TN 38238.

3. Graduate student, Department of Economics, George Mason University, Fairfax, VA 22030.

4. Professor of Economics, George Mason University, Fairfax, VA 22030.

For funding of the survey, we thank the College of Business and Global Affairs at the University of Tennessee-Martin. For helpful comments we thank Niclas Berggren, Jason Briggeman, and Arnold Kling.

Other questions, as well, were asked, but it is those about favorites that make the focus of the present paper. We relate those responses to party-voting and a score on a policy index based on 17 policy questions.

First-place positions as favorite economist in their respective categories are Adam Smith (by far), John Maynard Keynes followed closely by Milton Friedman, Gary Becker, and Paul Krugman. For journals, the leaders are *American Economic Review* and *Journal of Economic Perspectives*. For blogs, the leaders are Greg Mankiw followed closely by Marginal Revolution (Tyler Cowen and Alex Tabarrok).

We report the results without any elaborate interpretation. We draw no particular inference, nor push one on the reader. We do not relate our results to any existing hypothesis, nor develop hypotheses of our own. We have posted online the survey instrument, cover letter, and Excel files pertaining to this paper ([link](#)). The survey included questions not used here.⁵ Those questions will be used in future papers. At present we refrain from posting the raw data but expect to by February 2012.

The Conducting of the Survey

We embarked on the survey from a variety of motivations, reflected by the varied questions it contains. Working from their home institution at the Martin campus of the University of Tennessee, William Davis and Bob Figgins arranged the funding for the survey and handled the mailing, receiving, and data entry. The survey instrument itself was designed and written by Davis and Daniel Klein. After collecting the data, the team recruited David Hedengren for his data skills.

To create a list of 300 economics departments, we used a ranking of institutions by Tom Coupé (undated), supplemented by a ranking by Grijalva and Nowell (2008). Those sources generated a list of 141 departments. We then supplemented the list with an additional 159 departments from Christian Zimmermann's listing of economics departments ([link](#)), thus making a list of 300 departments in all. Details of the procedure are available in of the Excel sheet containing the list of 300 economics departments ([link](#)—see the comment at cell A1).

Using the website of each of the departments, William Davis and his assistants generated a random list of 2000 individual professors (tenure-track, assistant to full professors, excluding emeriti) belonging to the 300 departments, in proportion to the size of the department. Thus, the assembly of the mailing list is

5. Of the questions not used in the present paper, the most notable are those that ask about efficiency and cost-benefit analysis, about the propriety of an economist disclosing his own ideological sensibilities, about how the respondent would label himself ideologically, and about membership in different professional economics associations.

original, not based on association lists. At the end of March 2010, Davis mailed out the surveys, and later a reminder postcard. Over the next several weeks, a completed survey was sent back by 299 respondents. Adjusting for a fairly small number of PO returns and the like, the response rate was 15.2 percent (that is, 299/1969). Possible factors for the disappointingly low response may include the following: (1) The survey was six pages and involved complex philosophical questions; (2) it asked about policy views and voting; (3) economists are growing tired of responding to surveys.

A response rate of only 15.2 percent heightens the usual concerns about response bias. The party-voting results conform neatly to those of other surveys (as noted below), and the women percentages are close for addressees (21.2 percent women)⁶ and respondents (19.3 percent women).⁷ The mailings numbered 2000, so even with the low response rate we have 299 responses, which, supposing no serious response bias, would certainly be enough to form an accurate representation of the population of U.S. economics professors.

The mean age of our 299 respondents is about 59, and the median 58, so the group is older than one might expect. Of the 299 respondents, 239 were men, 57 women, and 3 did not report gender.

The Party-Voting and Policy-Views Variables

Before reporting the results on favorites, we explain two variables used in our reporting. These variables are useful in characterizing the kinds of economists that a favorite appeals to. These variables reveal, for example, that admiration for Adam Smith is ideologically diverse.

The party-voting question appeared as follows:

To which political party have the candidates you've voted for in the past ten years mostly belonged?

Democratic Green Libertarian Republican other

The results, shown in Table 1, are in line with previous literature on the party leanings of U.S. economists.⁸—a fact that helps us to discount worries of a response bias of an ideological sort.

6. That is, 424 women addressees, of 2000 total addressees.

7. That is, 57 women respondents, of 296 respondents who reported gender.

Table 1: Party-voting and Liberalism Score

Party	Count	% of the 299	Average liberalism score (s.d.)
Democratic	168.67	56.4%	1.95 (0.60)
Green	5.17	1.7%	1.57 (0.61)
Libertarian	16.00	5.4%	3.49 (0.39)
Republican	61.83	20.7%	2.71 (0.56)
“Other” checked but nothing written	11.33	3.8%	2.77 (0.72)
Cannot vote	11.00	3.7%	2.48 (0.89)
Choose not to vote	3.00	1.0%	3.25 (0.66)
No answer	22.00	7.4%	2.16 (0.89)
All	299	100%	2.27 (0.76)
$(\#Dem + \#Gr) / (\#Rep. + \# Lib. + 0.1) = 2.23$			

Note: Someone who, for example, checked Democratic, Green, and Republican was counted as 0.33 each.

In reporting the results on favorites, we will use the following party-voting index: $(\#Democratic + \#Green) / (\#Republican + \#Libertarian + 0.1)$. The “+ 0.1” appearing in the denominator is there to solve the problem that arises when it is otherwise zero. In reading the reporting that follows, when you see a party-ratio score that is wildly large, it is because there is nothing in the denominator except the 0.1. Crudely speaking, the index is the ratio of Left to Right. As shown in the bottom row of Table 1, the Left to Right ratio within the entire sample is 2.23.

The second variable comes from the policy-view questions. All of them took the form shown here:

Higher minimum wages:

- | | | | | | |
|--------------------------|-----------------------------|--------------------------|----------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| support
strongly | support,
not
strongly | neutral | oppose,
not
strongly | oppose
strongly | have
no
opinion |

8. The data on faculty party affiliation (and ideological views generally), from surveys and voter-registration studies, are summarized in Klein and Stern (2009). For data from 1999 thru 2007 (pp. 16, 22), the Democrat to Republican ratio for economics professors ranges by study from 1.6 to 4.3, with the most reliable studies putting it in the range of 2.1 to 3.0. Realize that questions differ in wording, and a survey question is different from actual voter registration. The Democrat-to-Republican ratio found here, 2.73, is probably a good number to use—though it is noteworthy that in our survey the Libertarian voters are more than the usual droplet.

The question posits a reform that ratchets up restrictions on individual liberty or that expands tax-funded government activism.⁹ The respondent is asked to mark his position over the responses ranging from “support strongly” to “oppose strongly”. The 17 reforms follow:

1. Higher minimum wages
2. Tighter restrictions (e.g., tariffs and quotas) on imported goods
3. Tighter requirements for the permitting of new pharmaceuticals and medical devices
4. Tighter restrictions on private parties engaging in discrimination (on the basis of race, gender, age, ethnicity, religion or sexual-orientation) against other private parties, in employment or accommodations
5. Tighter restrictions on the buying and selling of human organs
6. Tighter workplace safety regulation (e.g., by the Occupational Safety and Health Administration (OSHA))
7. Tighter air-quality and water-quality regulation (e.g., by the Env. Protection Ag. (EPA))
8. Tighter requirements on occupational licensing
9. Tighter restrictions on prostitution
10. Tighter restrictions on gambling
11. Tighter controls on immigration
12. Tighter restrictions on adult women having an abortion
13. Tighter restrictions on “hard” drugs such as cocaine and heroin
14. More redistribution (e.g., transfer and aid programs and tax progressivity)
15. More funding of the public school system
16. More benefits and coverage by Medicaid
17. More American military aid or presence abroad to promote democracy and the rule of law

We scored the responses to create for each respondent a *liberalism score* of domain [0, 4], that is, “support strongly” was scored as 0, “support, not strongly” as 1, “neutral” as 2, “oppose, not strongly” as 3, and “oppose strongly” as 4 (and “have no opinion” as missing data, not as “neutral”). Using the term *liberalism* in

9. A respondent might, for example, strongly oppose raising the minimum wage, and yet not favor reducing the minimum wage. We are scoring that respondent in the same way as one who strongly opposes raising the minimum wage and indeed favors reducing the minimum wage. In retrospect, we think that it would have been better to have framed each policy question as done by Daniel Stastny (2010), such that, for example, the respondent would be asked whether the minimum wage should be raised/tightened, stay the same, or reduced/liberalized. That framing captures the respondent’s preference for reform *on either side* of the status quo, whereas our framing captures intensity on only one side. Our framing surely tracks Stastny’s superior framing, but still we regret not using the superior framing.

its original or classical sense, we say, the higher the score the more liberal the respondent. We are aware of the gray areas, the semantic controversies, and the other controversies (“Doesn’t abortion violate the liberty of the fetus?,” “What about when immigrants support interventionist policies?,” “Doesn’t the American military promote liberty abroad?”), but we simply exercise our judgment¹⁰ and move on. The final column of Table 1 shows the mean liberalism score for the various party-voting categories. As expected, Green voters are least liberal, Libertarian voters are most liberal, and Democrat and Republican voters are in between.

Table 2 shows the results by gender. The findings are in line with what researchers usually find,¹¹ that women are less liberal and more Democratic than men.

Table 2: Party Ratio and Average Liberalism Score, by Gender

	N	% of 299	Party ratio	Average liberalism score (s.d.)
Men	239	80.0%	2.00	2.33 (0.75)
Women	57	19.1%	3.8	2.02 (0.75)
Declined to report gender	3	1.0%	1	2.61 (1.22)
All	299	100.0%	2.23	2.27 (0.76)

Economics Professors’ Favorite Economic Thinkers

Are there any economic thinkers who wrote *prior to* the twentieth century whom you regard with great respect, admiration, or reverence?
If so, please list, up to three:

10. In as much as any of these reforms point up possible disagreements between what Klein and Clark (2010) distinguish as *direct* liberty and *overall* liberty, in constructing the liberalism index we are following direct liberty. This practice is not to deny such disagreements, but it does imply that we do not think that the disagreements are very many and/or significant. Political discourse proceeds on the basis of “by and large.”

11. It is well established (see e.g. Norrander and Wilcox 2008) that, at least in the United States, women are, on average, more interventionist and Democratic. That women *economists* are, relative to men economists, more interventionist is indicated clearly by May and Whaples (2010), Stastny (2010, 284-85), and Hedengren et al. (2010, 310).

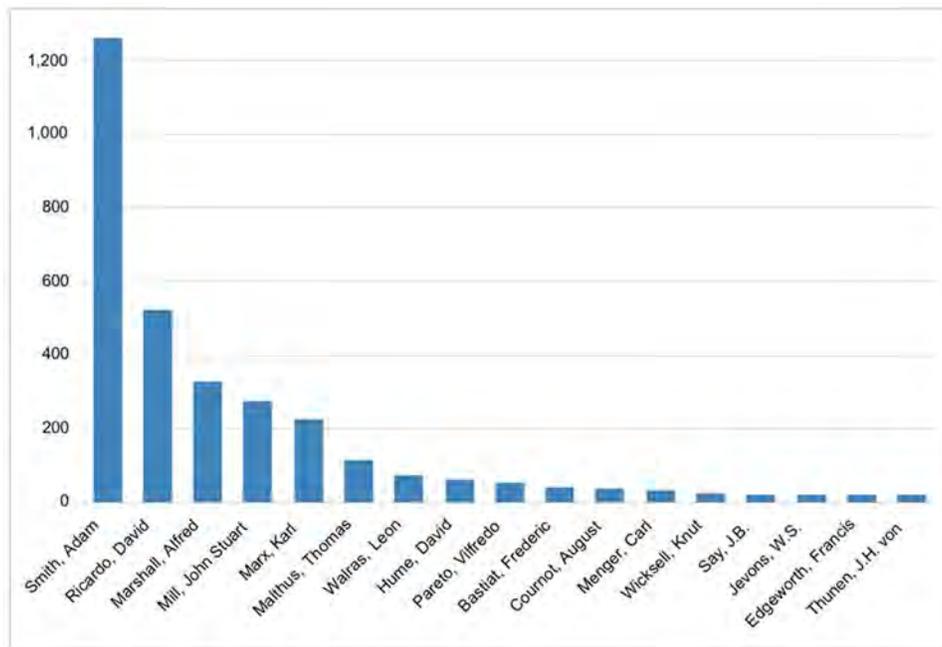
First: *Adam Smith*

Second: *David Ricardo*

Third: *Alfred Marshall*

In this case, we awarded Smith six points, Ricardo five points, and Marshall four points. Using such scoring we get the results shown in Figure 1.

Figure 1: 17 Favorite Pre-Twentieth Century economists



Perhaps no one is surprised, but that a man who died in 1790 would tower over the field of all economic thinkers working principally prior to 1900 the way Smith does here is really something. Footnotes detail how we fit an economist to a question (for example, Alfred Marshall as pre-twentieth century)¹² and how we decided how many economists to display in a figure and a table.¹³

Table 3 shows the top 17 economists, along with the associated party-ratio and liberalism scores of the associated respondents.

Table 3: 17 Favorite Pre-Twentieth Century economists, with Respondent Political Variables

		Mentions		Total points	Party ratio	Ave. lib. score (s.d.)
		N	% of 299			
1	Smith, Adam	221	73.9%	1265	2.0	2.36 (0.76)
2	Ricardo, David	106	35.5%	520	2.0	2.27 (0.74)
3	Marshall, Alfred	67	22.4%	329	1.7	2.33 (0.70)
4	Mill, John Stuart	56	18.7%	274	3.1	2.04 (0.73)
5	Marx, Karl	47	15.7%	225	20.3	1.70 (0.62)
6	Malthus, Thomas	24	8.0%	114	1.5	2.39 (0.84)
7	Walras, Leon	15	5%	73	2.9	2.33 (0.56)
8	Hume, David	12	4.0%	60	5.5	2.45 (0.55)
9	Pareto, Vilfredo	12	4.0%	52	8.2	2.58 (0.83)
10	Bastiat, Frédéric	8	2.7%	40	0.2	3.33 (0.41)
11	Cournot, August	7	2.3%	36	3.6	2.57 (0.39)
12	Menger, Carl	7	2.3%	32	0.5	3.50 (0.57)
13	Wicksell, Knut	5	1.7%	24	2.7	2.41 (1.16)
14	Say, J.B.	4	1.3%	20	0.3	2.75 (0.16)
15	Jevons, W.S.	4	1.3%	19	1.8	2.63 (1.13)
16	Edgeworth, Francis	4	1.3%	18	1.0	2.65 (0.39)
17	Thunen, J.H. von	4	1.3%	18	0.5	2.58 (0.58)

We see that the admirers of Adam Smith—221 of the entire sample of 299—have a party ratio of 2.0, which is only a little below the sample average of 2.23, and an average liberalism score of 2.36 which is only slightly above the sample mean of 2.27. It is unsurprising that the admirers of Karl Marx are more Democratic and less liberal. Carl Menger, were he to see the results, would no doubt be surprised that his admirers are more plumb-line free-marketeters than are

12. To deal with the problem that Alfred Marshall was treated as pre-twentieth by some and twentieth by others, and all similar problems, we first applied a mechanical rule that if an economist had more than three times as many points for one question as for the bordering question, all of the latter points were shifted to the former question. In the still divided cases, we simply researched the matter so as to assign *all* the points to the correct category (that is, whether deceased/60 years old as of April 2010), and made judgment calls on the century question, for example making Marshall pre-twentieth and Veblen twentieth. Thus we have effectively assisted the respondent in properly categorizing the admired economist.

13. We wanted to limit the number of items displayed in a figure to less than twenty, to preserve readability, and we chose a cut-off based on a suitable number of mentions, as opposed to total score. In the tables we include all items receiving at least four mentions. The Excel file shows all results, down to a single mention.

the admirers of Frédéric Bastiat. Data on all economists mentioned, down to those receiving a single mention, are available in the Excel file ([link](#)).

Are there any economic thinkers *of the twentieth century and now deceased* whom you regard with great respect, admiration, or reverence? If so, please list, up to three:

First: *John Maynard Keynes*

Second: *Milton Friedman*

Third: *Paul Samuelson*

Here, Keynes would get six points, Friedman five points, and Samuelson four points. The top 14 of the twentieth century, now deceased, are shown in Figure 2.

Figure 2: 14 Favorite Twentieth-Century economists, deceased

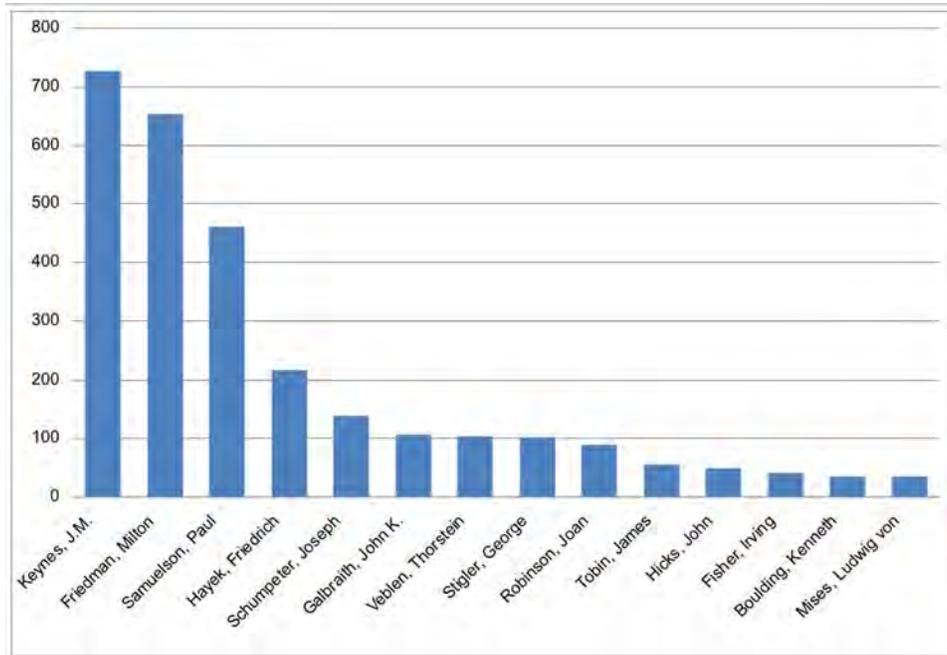


Table 4 shows the top 24 economists of the twentieth century, now deceased, along with the associated party-voting and liberalism score of the associated respondents.

Table 4: 24 Favorite Twentieth-Century economists, deceased, with Respondent Political Variables

		Mentions		Total points	Party ratio	Ave. lib. score (s.d.)
		N	% of 299			
1	Keynes, J.M.	134	44.8%	726	4.6	1.96 (0.61)
2	Friedman, Milton	124	41.5%	654	0.8	2.66 (0.68)
3	Samuelson, Paul	90	30.1%	460	4.4	2.16 (0.57)
4	Hayek, Friedrich	44	14.7%	216	0.5	2.97 (0.64)
5	Schumpeter, Jos.	31	10.4%	138	2.1	2.37 (0.71)
6	Galbraith, John K.	22	7.4%	107	6.7	1.50 (0.48)
7	Veblen, Thorstein	22	7.4%	103	4.6	1.67 (0.70)
8	Stigler, George	22	7.4%	102	0.5	2.85 (0.59)
9	Robinson, Joan	18	6.0%	89	9.1	1.58 (0.65)
10	Tobin, James	12	4.0%	55	2.5	2.09 (0.55)
11	Hicks, John	10	3.3%	50	2.9	1.91 (0.79)
12	Fisher, Irving	10	3.3%	41	1.3	2.48 (0.65)
13	Boulding, Kenneth	7	2.3%	35	2.4	2.16 (0.75)
14	Mises, Ludwig von	7	2.3%	35	0.0	3.41 (0.51)
15	Hotelling, Harold	6	2.0%	30	1.0	2.62 (0.77)
16	Polanyi, Karl	5	1.7%	29	50.0	1.77 (1.14)
17	Granger, Clive	6	2.0%	27	1.0	2.62 (0.77)
18	Pigou, Arthur	6	2.0%	26	6.2	2.29 (0.45)
19	Olson, Mancur	5	1.7%	25	1.6	2.00 (0.76)
20	Griliches, Zvi	5	1.7%	22	3.6	2.01 (0.77)
21	Leontief, Wassily	4	1.3%	21	20.0	1.49 (0.34)
22	Minsky, Hyman	4	1.3%	21	30.0	1.09 (0.10)
23	Simon, Herbert	4	1.3%	20	1.6	2.19 (0.51)
24	Hurwicz, Leonid	4	1.3%	19	10.0	2.75 (0.46)

Of those with at least 10 mentions, we see that most liberal admirers are those of Friedrich Hayek and Milton Friedman, and the least liberal admirers are those of John K. Galbraith, Joan Robinson, and Thorstein Veblen.

Are there any economic thinkers alive today *over the age of 60/under the age of 60* whom you regard with great respect, admiration, or reverence?
 If so, please list, up to three:

	Economist over the age of 60	Economist under the age of 60
First:	<i>Gary Becker</i>	<i>Paul Krugman</i>
Second:	<i>Kenneth Arrow</i>	<i>Greg Mankiw</i>
Third:	<i>Robert Solow</i>	<i>Daron Acemoglu</i>

The top 19 over-60 living economists are shown in Figure 3, and the top 26 over-60 living economists are listed in Table 5, along with associated party-voting and liberalism scores.

Figure 3: 19 Favorite Living economists Age 60 or Older

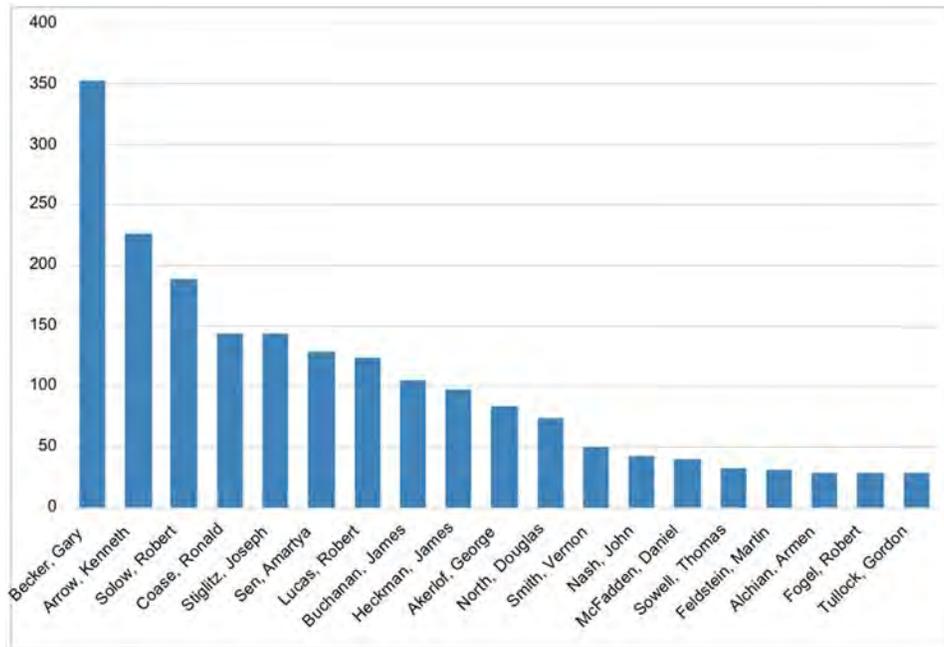


Table 5: 26 Favorite Living economists, Age 60 or Older, with Respondent Political Variables

		Mentions		Total points	Party ratio	Ave. lib. score (s.d.)
		N	% of 299			
1	Becker, Gary	65	21.7%	353	0.9	2.56 (0.67)
2	Arrow, Kenneth	41	13.7%	226	16.6	2.08 (0.57)
3	Solow, Robert	35	11.7%	188	5.5	2.09 (0.55)
4	Coase, Ronald	29	9.7%	144	0.5	3.01 (0.79)
5	Stiglitz, Joseph	28	9.4%	144	250.0	1.77 (0.60)
6	Sen, Amartya	25	8.4%	128	6.7	1.65 (0.42)
7	Lucas, Robert	24	8.0%	124	1.0	2.61 (0.54)
8	Buchanan, James	20	6.7%	104	0.1	3.25 (0.55)
9	Heckman, James	19	6.4%	97	2.0	2.49 (0.55)
10	Akerlof, George	17	5.7%	83	2.7	1.98 (0.53)
11	North, Douglas	14	4.7%	73	1.0	2.75 (0.75)
12	Smith, Vernon	9	3.0%	49	4.7	2.16 (0.42)
13	Nash, John	8	2.7%	42	2.2	2.32 (0.68)
14	McFadden, Daniel	7	2.3%	39	50.0	1.83 (0.52)
15	Sowell, Thomas	6	2.0%	32	0.0	3.17 (0.24)
16	Feldstein, Martin	6	2.0%	31	0.5	2.72 (0.65)
17	Alchian, Armen	6	2.0%	28	0.0	3.32 (0.46)
18	Fogel, Robert	6	2.0%	28	1.4	2.6 (0.62)
19	Tullock, Gordon	6	2.0%	28	0.0	3.58 (0.52)
20	Blinder, Alan	5	1.7%	24	50.0	1.64 (0.49)
21	Sargent, Tom	5	1.7%	24	30.0	2.13 (0.52)
22	Schelling, Thomas	5	1.7%	23	3.6	2.39 (0.35)
23	Barro, Robert	4	1.3%	22	0.9	2.71 (0.55)
24	Romer, Paul	4	1.3%	22	2.7	2.44 (0.76)
25	Spence, Michael	4	1.3%	22	0.3	2.44 (0.82)
26	Freeman, Richard	4	1.3%	20	40.0	2.04 (0.74)

Of those with at least 14 mentions (the next position drops to nine mentions), we see that the most liberal admirers are those of James Buchanan, Ronald Coase, Douglass North, and Robert Lucas, and the least liberal admirers are those of Amartya Sen, Joseph Stiglitz, and George Akerlof.

The top 17 under-60 living economists are shown in Figure 4, and the top 23 under-60 living economists are listed in Table 6, along with associated party-voting and liberalism scores. Paul Krugman leads by a long ways. As for liberty-oriented

economists, the results might raise the questions: Is there a Milton Friedman on the horizon? And: If not, why not? Some answers are suggested by Klein (2009).

Figure 4: 17 Favorite Living economists under Age 60

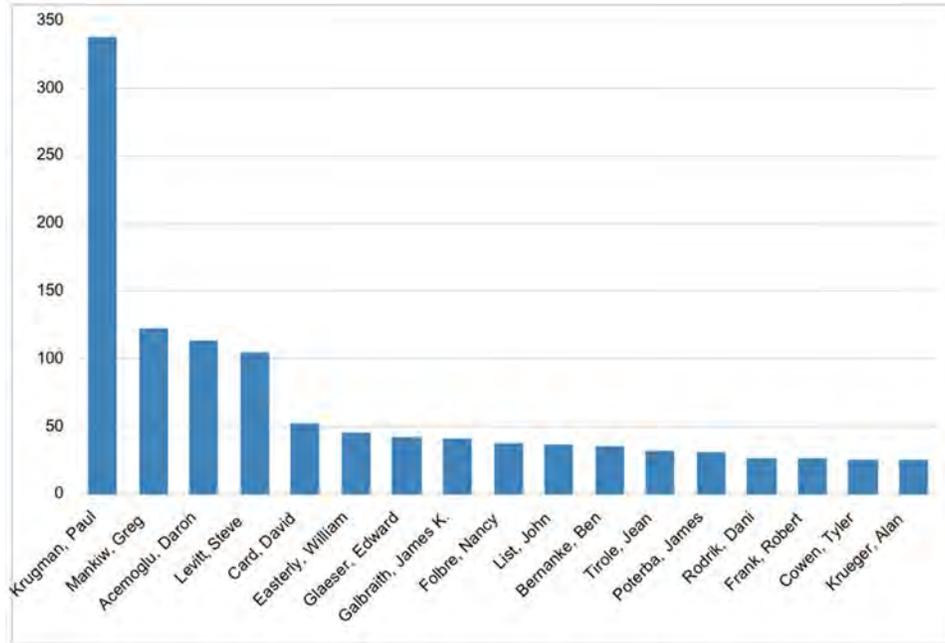


Table 6: 23 Favorite Living economists under Age 60, with Respondent Political Variables

		Mentions				Ave. lib. score (s.d.)
		N	% of 299	Total Points	Party ratio	
1	Krugman, Paul	60	20.1%	338	12.4	1.74 (0.55)
2	Mankiw, Greg	22	7.4%	123	1.7	2.72 (0.60)
3	Acemoglu, Daron	22	7.4%	114	2.9	2.51 (0.74)
4	Levitt, Steve	20	6.7%	105	0.8	2.51 (0.54)
5	Card, David	10	3.3%	52	7.3	1.89 (0.22)
6	Easterly, William	9	3.0%	46	0.7	3.05 (0.91)
7	Glaeser, Edward	8	2.7%	42	1.4	2.01 (0.76)
8	Galbraith, James K.	8	2.7%	41	70.0	1.18 (0.34)
9	Folbre, Nancy	7	2.3%	38	66.7	1.40 (0.38)
10	List, John	7	2.3%	36	1.4	2.43 (0.80)
11	Bernanke, Ben	7	2.3%	35	2.7	2.42 (0.79)
12	Tirole, Jean	6	2.0%	32	3.6	2.53 (0.49)
13	Poterba, James	6	2.0%	31	0.7	2.68 (0.72)
14	Rodrik, Dani	5	1.7%	27	40.0	1.78 (0.45)
15	Frank, Robert	5	1.7%	26	2.7	1.91 (0.23)
16	Cowen, Tyler	5	1.7%	25	1.0	3.09 (1.14)
17	Krueger, Alan	5	1.7%	25	3.6	2.08 (0.61)
18	Shleifer, Andrei	4	1.3%	22	0.9	3.59 (0.68)
19	Murphy, Kevin	4	1.3%	21	0.0	3.14 (0.32)
20	Rabin, Matthew	4	1.3%	19	1.8	2.15 (0.18)
21	Fehr, Ernst	4	1.3%	18	1.6	2.37 (1.25)
22	Gruber, Jonathan	4	1.3%	17	2.7	2.27 (0.76)
23	Sachs, Jeffrey	4	1.3%	17	40.0	1.98 (0.71)

Only five economists have at least ten mentions. Of those five, the admirers of Greg Mankiw are most liberal, and the admirers of Paul Krugman are the least liberal (and remarkably preponderantly Democratic).

Economics Professors' Favorite Economics Journals

List the three economics journals (broadly defined) that you read most avidly when a new issue appears:

First: *American Economic Review*

Second: *Journal of Economic Perspectives*

Third: *Journal of Political Economy*

The top 14 journals are shown in Figure 5, and the top 33 journals are listed in Table 7, along with associated party-voting and liberalism scores.

Figure 5: 14 Favorite Economics Journals

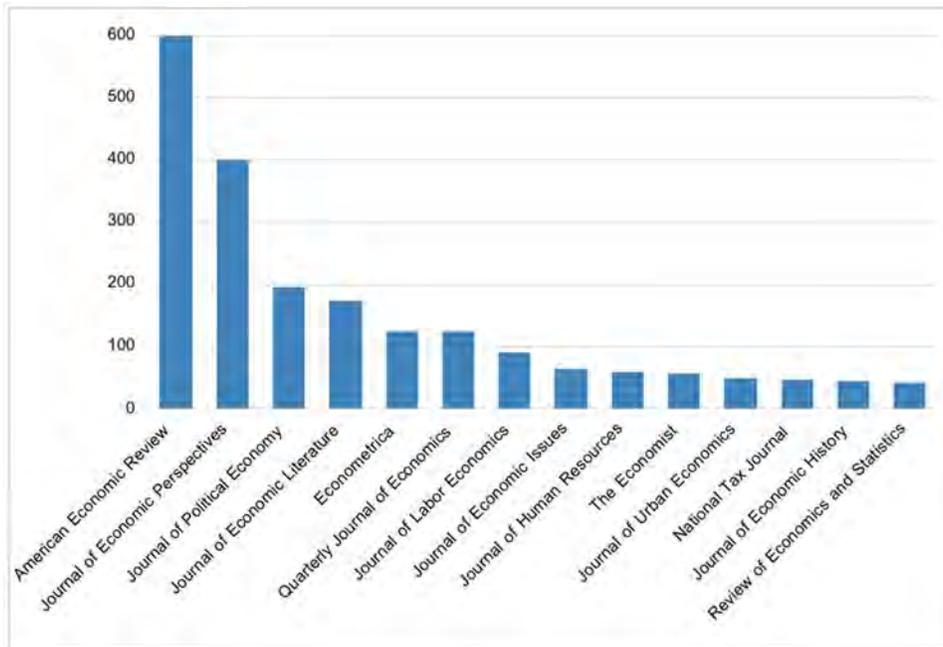


Table 7: 33 Favorite Economics Journals, with Respondent Political Variables

		Mentions		Total points	Party ratio	Ave. lib. score (s.d.)
		N	% of 299			
1	American Ec. Rev.	111	37.1%	598	2.6	2.31 (0.63)
2	J. of Ec. Perspectives	77	25.8%	399	2.5	2.22 (0.67)
3	J. of Political Economy	40	13.4%	195	2.3	2.45 (0.56)
4	J. of Ec. Literature	35	11.7%	173	3.7	2.30 (0.67)
5	Econometrica	24	8.0%	124	2.8	2.11 (0.54)
6	Quarterly J. of Ec.	25	8.4%	124	7.9	2.23 (0.57)
7	J. of Labor Ec.	17	5.7%	91	1.8	2.50 (0.80)
8	J. of Ec. Issues	11	3.7%	62	90.0	1.62 (0.77)
9	J. of Human Resources	12	4.0%	59	4.8	2.20 (0.57)
10	The Economist	11	3.7%	57	1.8	2.02 (0.66)
11	J. of Urban Ec.	9	3.0%	49	1.7	2.07 (0.61)
12	National Tax J.	9	3.0%	45	0.8	2.57 (0.71)
13	J. of Ec. History	8	2.7%	44	0.7	2.90 (0.50)
14	Rev. of Ec. and Statistics	9	3.0%	41	6.4	2.34 (0.75)
15	American J. of Agricultural Ec.	7	2.3%	38	60.0	2.18 (0.54)
16	J. of Environmental and Ec. Management	7	2.3%	36	60.0	1.84 (0.29)
17	Cambridge J. of Ec.	6	2.0%	34	50.0	1.25 (0.21)
18	Ec. Inquiry	7	2.3%	33	3.4	2.32 (0.94)
19	History of Political Economy	6	2.0%	33	1.0	2.62 (0.96)
20	Public Choice	6	2.0%	32	0.0	3.08 (0.75)
21	Rand J. of Ec.	6	2.0%	32	1.8	2.43 (0.85)
22	J. of Ec. Behavior and Organization	5	1.7%	29	3.6	2.15 (0.92)
23	J. of Sports Ec.	6	2.0%	29	0.7	2.33 (0.73)
24	J. of Money, Credit, and Banking	6	2.0%	28	2.7	2.4 (0.69)
25	J. of Public Ec.	7	2.3%	28	2.4	2.44 (0.75)
26	Feminist Ec.	5	1.7%	27	46.7	1.14 (0.19)
27	J. of International Ec.	6	2.0%	25	60.0	1.81 (0.63)
28	J. of Management Education	5	1.7%	25	30.0	1.91 (0.41)
29	Independent Rev.	4	1.3%	21	0.0	3.94 (0.12)
30	J. of History of Ec. Thought	4	1.3%	21	0.3	2.47 (0.76)
31	J. of Development Ec.	4	1.3%	20	30.0	2.10 (0.43)
32	Southern Ec. J.	4	1.3%	19	0.5	2.80 (1.25)
33	J. of Post Keynesian Ec.	4	1.3%	18	40.0	1.19 (0.11)

Economics Professors' Favorite Economics Blogs

Do you occasionally or regularly read any economics blogs? If so, what are your top 3 favorite economics blogs:

- I do read. Here are the top three (listing fewer than three is OK).
 First: *Greg Mankiw*
 Second: *Marginal Revolution*
 Third: *Paul Krugman*
- I do not read any economics blogs.

Blogs are now a major form of expression and discussion, and surely the timeliest form. While we show the results in Figure 6 and Table 8, it should be born in mind that even the top mentioned blog, Greg Mankiw's, received only 41 mentions (of 299 respondents). It appears that most economists do not make a habit of reading economics blogs.

Figure 6: 15 Favorite Economics Blogs

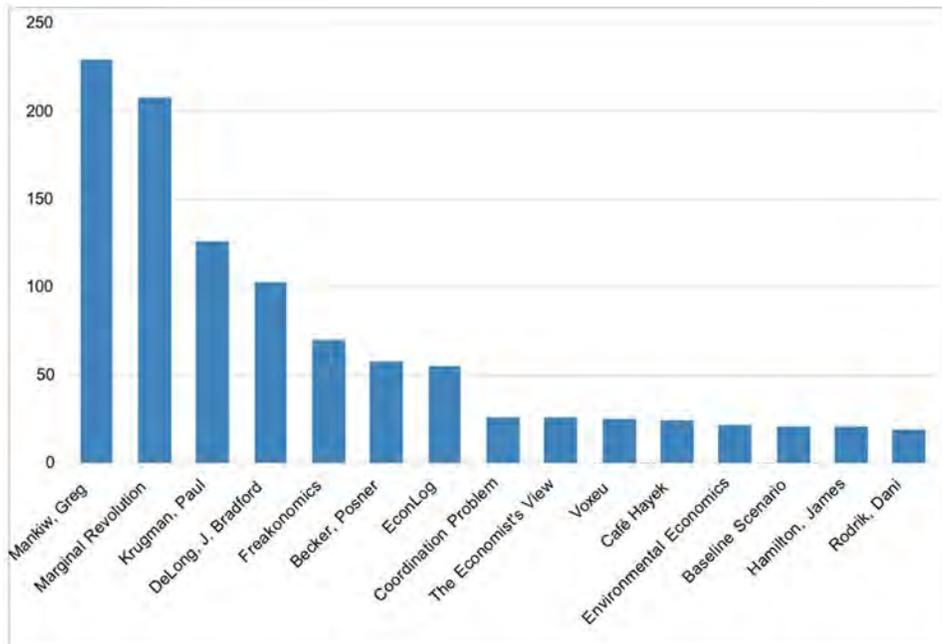


Table 8: 15 Favorite Economics Blogs, with Respondent Political Variables

		Mentions			Party ratio	Ave. lib. score (s.d.)
		N	% of 299	Total points		
1	Mankiw, Greg	41	13.7%	229	1.2	2.65 (0.61)
2	Marginal Revolution	38	12.7%	208	0.9	2.96 (0.74)
3	Krugman, Paul	24	8.0%	126	20.0	2.02 (0.51)
4	DeLong, J. Bradford	20	6.7%	103	5.2	2.08 (0.54)
5	Freakonomics	14	4.7%	70	3.6	2.44 (0.58)
6	Becker, Posner	11	3.7%	58	0.6	3.13 (0.59)
7	EconLog	11	3.7%	55	0.2	3.26 (0.52)
8	Coordination Problem	5	1.7%	26	0.9	3.61 (0.56)
9	The Economist's View	5	1.7%	26	50	1.73 (0.21)
10	Voxeu	5	1.7%	25	3.6	1.81 (0.68)
11	Café Hayek	5	1.7%	24	0.0	3.2 (0.72)
12	Environmental Economics	4	1.3%	22	40.0	1.96 (0.43)
13	Baseline Scenario	4	1.3%	21	30.0	2.12 (0.76)
14	Hamilton, James	4	1.3%	21	1.8	2.37 (0.73)
15	Rodrik, Dani	4	1.3%	19	20.0	1.65 (0.54)

Of those with at least 11 mentions, we see that most liberal admirers are those of EconLog, Becker-Posner, and Marginal Revolution, and the least liberal admirers are those of J. Bradford DeLong and Paul Krugman (also, again we see that Krugman admirers are remarkably preponderantly Democratic).

Table 9 compares economists who read blogs and those who do not. We were surprised to find that the readers of blogs are older than the non-readers. They are also more liberal.

Table 9: Readers and Non-readers of Blogs, Age and Political Variables

	N	% of 299	Ave. age	Median Age	Party ratio	Average liberalism score (s.d.)
I do read blogs	133	44.0%	62.1	65	2.04	2.45 (0.76)
I do not read blogs	156	52.0%	56.7	55	2.56	2.12 (0.73)
No response	10	3.0%	49.4	43	0.73	2.33 (0.88)
All	299	100.0%	58.9	58	2.23	2.27 (0.76)

Concluding Remark

Michael Polanyi (1959) wrote: “We need reverence to perceive greatness, even as we need a telescope to observe spiral nebulae” (96). Asking economists whom they revere or admire provides a basis for characterizing them, for it tells us toward whom they direct that special telescope, and to what characterizations of greatness they are most attuned.

Appendices

At the survey homepage ([link](#)), one can download the survey instrument ([link](#)), the cover letter that accompanied the survey ([link](#)), the follow-up postcard ([link](#)), the listing of 300 economics departments ([link](#)), and data (in Excel) displayed in this paper ([link](#)).

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Richard T. Ely: The Confederate Flag of the AEA?

Clifford F. Thies¹ and Ryan Daza²

[LINK TO ABSTRACT](#)

It's one thing for the American Economic Association to have the keynote address at its annual meeting entitled the Richard T. Ely Lecture. Ely was, after all, a founder of the organization, its first Secretary (1886-92), and its sixth President (1900-01); and, besides, nobody feels much compelled by reason of giving the lecture to associate himself with the man.

But it's another thing for the Association, in its recent *Economists' Calendar*, to give Ely a prominent place in the pantheon of economists therein assembled. Yet, there he is among the 18 on the cover; again on the first page, along with a selection of quotations; and, yet again on the page for the month of April, his birth month. As to the selection of quotations, it is highly selective, with no quotations touching on the following issues: race, eugenics, the rights of individuals versus the rights of the state, freedom of speech and of religion, equal rights, the rights of property, contract and free association, the use of public schools to indoctrinate the youth, labor colonies, nationalism, colonialism, militarism and war. Ignoring Ely's positions on these issues would be like claiming that the Confederate flag was not merely part of the heritage of a section of the country, but that it represents something good and wholesome—without apologizing for or even acknowledging what it actually represents.

A few individuals have helped to recover the untoward positions of the Progressives on race and eugenics (Bateman 1998, 2003, Cherry 1976, Leonard 2003, 2005a, 2005b, Luker 1991). As to why we have to recover this history, no doubt it is because the midcentury experience with the National Socialists of

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Germany made us aware of how terrible were the mistakes of the Progressives. Embarrassment and the desire to let the dead rest in peace resulted in a whitewashing of history. For example, a prominent biography of Ely (Rader 1966; see also Gonce 1996, Lowe 1987, Samuels 2002) makes only a few obtuse references to Ely's positions on evolution, and does not at all mention his positions on race, eugenics, and so forth. The effect of the whitewashing was that, eventually, the problematic aspects of the Progressive movement came to be lost. Consequently, others might fail, where the Progressives failed, to temper their desire to do good with a due consideration for the possible evil that might result from the denigration of lesser people and from the aggrandizement of the state. The tensions between immigration and welfare statism, for example, are familiar enough.

What follows is a selection of quotations expressing the perspective and positions of one of the original leading lights of the AEA. The quotations span a wide variety of issues and the man's entire professional career. Perhaps some of these will appear in a future *Economists' Calendar*.

* * *

At bottom, it [supply-and-demand analysis] is only a truism proved by the experience of cooks. When fish is scarce it is dear. In sooth, a beautiful discovery! Nevertheless, there is nothing necessary in this. Suppose a religious law which forbids one to eat fish; it might be very scarce and at the same time cheap. (1884, 39)

A concrete example of the fruits of this new method [historicism] is found in the almost complete reversal of opinion concerning the policy advocated by those we call Mercantilists. (1884, 48)

In opposition to individualism, they [Mercantilists] emphasize...man was formed for society. They recognize a kind of divine right in the associations we call towns, cities, states, nations... (1884, 48)

Now, it may rationally be maintained that, if there is anything divine on earth it is the State, the product of the same God-given instincts which led to the establishment of the Church and the Family. It was once held that kings ruled by right divine, and in any widely accepted belief, though it be afterwards discredited, there is generally found a kernel of truth. In this case it was the divine right of the State. (1885, 73)

Economic freedom must be regarded as merely relative. It has been absolute only in that condition of anarchy in which savages have lived... (1889, *Introduction to Political Economy*, 71)

[O]bedience to law is, in civilized nations, unconscious. Law has to such an extent formed us that we, for the most part, spontaneously obey it. (1889, *Introduction*, 71)

There seems in the nature of things no more reason why the State should do one thing rather than another except that it is more useful. (1889, *Introduction*, 87)

An older conception, inherited from European despotisms, pronounces State action 'paternalism,' but ... [with] modern democracy, ... government is not something apart from us and outside of us, but we ourselves. (1889, *Introduction*, 89)

[T]here is no limit to the right of the State, the sovereign power, save its ability to do good. Duty, function, is co-extensive with power. The State is a moral person. (1889, *Introduction*, 92)

The idea of a stock exchange is sound, but it is inevitably so fruitful of mischief and all matter of inequity that we can regard it only as a necessary evil... (1889, *Social Aspects*, 22)

Christianity is primarily concerned with this world. (1889, *Social Aspects*, 53)

A church state... must adopt in its attempt to influence rightly this inner individual life [religious life] the methods of persuasion and not coercion ... A church state must be regarded as occupying essentially the large and generous ground of the public schools ... It must serve the state ... [Because of the multitude of denominations] it is manifestly impossible to reestablish a church state among us, [the solution lay] in the conception of the state as the true church of the future. (1890; quoted in Handy (1990, 37))

The most general statement possible [concerning the causes of pauperism] is that the causes of poverty are heredity and environment, producing weak physical, mental, and moral constitutions. (1891, 402)

The remedy [to the contribution of environment to pauperism] is to break up these pauper and criminal bands, and at the earliest age to remove the children from their poisonous atmosphere. (1891, 406)

Germany has a large number of 'Laborers' Colonies' for the dependent classes, and these colonies have succeeded well, on the whole. It seems clear that there is a class which must be kept permanently isolated in asylums and subjected to kind but firm discipline. (1891, 407)

Th[ose who are] more hopelessly lost...should not be allowed to propagate their kind. (1891, 407)

Giving up one's individualism means a growth in individuality. (1894, Socialism, 351)

[W]e may contemplate a society with real, not merely nominal, freedom, to pursue the best; a society in which men shall work together for common purposes, and in which this wholesome co-operation shall take place largely through government... (1894, Socialism, 352)

[T]he fullest unfolding of our national faculties requires the exclusion of discordant elements—like, for example, the Chinese. (1894, "Thoughts on Immigration, No. I")

Too many diverse elements, especially when the variation in important characteristics is great, render difficult the growth of a powerful nationality. (1894, "Thoughts on Immigration, No. I")

[W]e must notice the deterioration in the character of our immigration and ponder well the effects which a large admixture of baser foreign elements is likely to have upon American nationality. Going back to our early immigration we find men of intellect and conscientious conviction... As late as 1848 Germans of a fine class came to this country... (1894, "Thoughts on Immigration, No. II")

Transportation has become so cheap that even an industrially inferior class is able to secure means to come to our shores. (1894, "Thoughts on Immigration, No. II")

As far as my general social philosophy is concerned,... I am...in the strict sense of the term an aristocrat...; but when I use the word 'aristocrat,' I have in mind of course not a legal aristocracy, but a natural aristocracy... (1894, "Fundamental Beliefs,"183)

God works through the State in carrying out his purposes more universally than through any other institution. (1896, 162-63)

Christ and his apostles always recognized the authority of the state as divine in character even under the most trying and perplexing circumstances. (1896, 165)

The Protestant Reformation meant the exaltation of the state. (1896, 168)

The distinction of ecclesiastical and profane laws can find no place among Christians. (1896, 169)

The main purpose of the State is the religious purpose. Religious laws are the only laws which ought to be enacted. (1896, 173)

When men try to prevent the advance of the temperance movement and other great moral enterprises, they are very fond of rattling off that sentence [you cannot make men moral by act of Parliament]. (1896, 179)

The state, which stands for organized society, is the organ of liberty. (1897, 672)

[T]he state, like the church, has divine rights. (1898, 780)

[T]here are classes in every modern community composed of those who are virtually children, and who require paternal and fostering care, the aim of which should be the highest development of which they are capable. We may instance the negroes, who are for the most part grownup children, and should be treated as such. (1898, 781)

The great word is no longer natural selection, but social selection. (1901, 61)

[W]e should undertake this [public schools] with as great care as a powerful military nation like Germany devotes to the preparation of each individual soldier for warfare. (1901, 62)

The problem of liberty includes the problem of suitable control over the relations which exist among men. (1902, 68)

The problem is to keep the most unfit from reproduction, and to encourage the reproduction of those who are really the superior members of society. (1903, 139)

The sad fact, however, is not that of competition [that feeble persons compete for employment and, so, drive down wages], but the existence of these feeble persons. (1903, 163)

Philanthropy and science keep alive men who would otherwise perish. These men reproduce their kind, and the result is an enfeebled progeny. Reproduction goes on, and as heredity determines chiefly the characteristics of those who live, we have a feebler parentage leading to a feebler race of men. (1903, 165)

[I]f this [preventive medicine] is leading to an increasing number of an increasingly feeble population, should it not be checked? (1903, 165)

[W]hat shall we say about the efforts in India to accumulate a famine fund, and extend and improve the means of communication so as to be able to fight famine successfully there as it has been fought successfully in Europe and America? Why not let the famine continue for the sake of race improvement? (1903, 165-66)

Let us next take up the degenerate classes, and ask whether any effort is being made to prevent their reproduction. (1903, 173)

It is, perhaps, not quite true that, apart from the really unfit in the community, we desire a free intermingling of all the rest of the population. (1903, 180-81)

Which among the non-European races is actually to inhabit the tropics, developing their agricultural and commercial wealth under the direction of the white race, is a question which is eliciting much speculation. The negro race, while endowed with a splendid physique and with great power for work, is neither progressive nor inclined to submit to regularity of toil, such as an industrial civilization demands. (1911, 34-35)

We have already shown that the essential purpose of all private property is the general welfare. (1914, 477)

The only right point of view is the social, and from this point of view expropriation is so far from appearing as an abnormality, a contradiction to the idea of property, that we must regard it as something absolutely required by the idea of property. (1914, 496)

It has also to be recognized that there is, as been wisely said, 'no greater inequality than the equal treatment of unequals.' (1915, 211)

We can not solve our problems of conservation any more than we can other social problems unless we get a new idea of organized political society. (1917, 68)

As a part of the preparation of our human material we shall give increasing attention to eugenics... [I]here are certain human beings who are absolutely unfit and who should be prevented from a continuation of their kind. (1918, 115)

[I]n the university we have found in department after department a readiness to sign loyalty statements which have 'teeth'... (1918, 143)

Furthermore, as a condition of liberty, without increasingly complex and close interrelations more and more regulation by society is required in order to give each one [each person] a proper sphere of action. (1922, 660)

We must give to the most hopeless classes left behind in our social progress custodial care with the highest possible development and with segregation of sexes and confinement to prevent reproduction. (1922, 662)

May I dare assert that something could be said for military training as affording a discipline of life? Possibly there may be other objections to military training; but, as I have observed it, and particularly in Germany, it does afford this. (1929, 101)

[O]wnership of corporate property in itself cannot be relied upon to secure the management of property which is to be the interest of the property owners and presumably to the interest of the general public. (1935, 136)

Property is a bundle of rights and not a single right. (1935, 136-37)

We, who had tasted the new and living economics which was taught in the German Universities, were depressed with the sterility of the old economics which was being taught in the American colleges. (1938, 132)

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Economic Enlightenment Revisited: New Results Again Find Little Relationship Between Education and Economic Enlightenment but Vitiate Prior Evidence of the Left Being Worse

Daniel B. Klein¹ and Zeljka Buturovic²

[LINK TO ABSTRACT](#)

One year ago in this journal, we reported the results of a 2008 Zogby survey that purported to gauge economic enlightenment (Buturovic and Klein 2010). Our main result was that college education bore little relationship to economic enlightenment. We also found that self-identified Progressives and Liberals did much worse than Conservatives and Libertarians and this finding generated a lot of controversy. The attention was heightened by a *Wall Street Journal* op-ed that summarized those results (Klein 2010).

Those results were based on eight questions used to gauge economic enlightenment. Most of those eight questions specifically challenged leftist positions and/or reassured conservative and/or libertarian positions, while none had a clear slant against conservatives and/or libertarians.

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In a new survey, conducted during December 2009, we supplemented those eight questions with another nine new questions, all specifically challenging conservative and/or libertarian positions (and often reassuring leftist positions). The new test consisting of all 17 questions yielded results that reinforced our conclusion that *for people inclined to take such a survey*, basic economic enlightenment is quite flat in relation to going to college.

At the same time, the new results vitiated prior evidence of the left being worse. Now, all groups did poorly, with each group tending to do relatively poorly on the questions challenging its positions. In this paper we report the results of the new survey and offer some explanations about why we thought—wrongly, as it turns out—that the prior evidence on ideology was telling.

Linked appendices provide all data and the survey instrument.

A Brief Recap, Up to the New Survey

The first survey, the one reported on in our previous paper, had been designed by Buturovic to address questions quite different than those for which it was used by our previous paper. Here we refrain from repeating details about the origination of our previous paper. That survey contained questions in the following format:

Restrictions on housing development make housing less affordable.

1. Strongly Agree
2. Somewhat Agree
3. Somewhat Disagree
4. Strongly Disagree
5. Not sure
6. Other
7. (Refuse to answer)

The paper dealt with eight questions, given below with our judgment about the unenlightened answer:

1. Restrictions on housing development make housing less affordable.
 - Unenlightened: Disagree
2. Mandatory licensing of professional services increases the prices of those services.
 - Unenlightened: Disagree
3. Overall, the standard of living is better today than it was 30 years ago.
 - Unenlightened: Disagree
4. Rent-control laws lead to housing shortages.
 - Unenlightened: Disagree
5. A company that has the largest market share is a monopoly.

- Unenlightened: Agree
6. Third-world workers working overseas for American companies are being exploited.
 - Unenlightened: Agree
 7. Free trade leads to unemployment.
 - Unenlightened: Agree
 8. Minimum wage laws raise unemployment.
 - Unenlightened: Disagree

The question about ideology ran as follows:

Which description best represents your political ideology?

- Progressive/very liberal
- Liberal
- Moderate
- Conservative
- Very conservative
- Libertarian
- Not sure
- (Refuse to answer)

In reporting results, we focused on *incorrect* answers, treating the neutral “Not sure” response (as well as “Other” and non-response) as not incorrect. Thus, for the housing restrictions question, both “disagree” and “somewhat disagree” (that restrictions make housing less affordable) would be the incorrect answers. Using the eight economic questions, we found that the average number of answers incorrect (out of eight) were as follows: Progressives 5.26; Liberal 4.69; Moderate 3.67; Conservative 1.67; Very Conservative 1.30; Libertarian 1.38.

In the previous paper, we discussed four caveats to our methods. The one that loomed largest in our mind was that several of the eight questions challenge left positions, while none specifically challenge conservative or libertarian positions. (We use the term “left” to mean merely those who self-identified as “Progressive” or “Liberal”.)

A great deal of controversy followed the paper (which focused on the economic enlightenment in respect to college education) and op-ed (which focused on the economic enlightenment in respect to ideology). The criticisms were varied, but a major one concerned the fact that the questions were biased in the positions they challenged or reassured. Eleven persons who publicly criticized the paper were invited to contribute comments for publication in this Journal ([link](#) to the invitation), and four of them did so. The four critics made a variety of points, but we elect to let lie the points other than the one about the ideological slant. Roderick Hill (2010) said that respondents likely responded in a way that expressed

their position on the related issue, rather than focusing on the specific mechanisms of the question: “Seven of the eight statements are structured so that ignorant respondents answering in this way would produce...the results...that conservatives and libertarians are more ‘economically enlightened’ than liberals and progressives” (339). E. D. Kain (2010) said that the survey is “clearly slanted,” as it polls “not on right or wrong answers to economic questions, but on whether people agree or disagree with [Buturovic and Klein’s] own conclusions” (341). Daniel Kuehn (2010) emphasizes the “likelihood of responding normatively to a positive question” (343). David Ruccio (2010) emphasizes that any understanding of an economic issue is dependent on approach and representation, and that our test was rigged. We are grateful to Hill, Kain, Kuehn, and Ruccio for their engagement and insight, which helped to prompt the second survey.

In our original paper we spelled out a number of caveats, including the major one that concerns us here: “an asymmetry in sometimes challenging leftist mentalities without ever specifically challenging conservative and libertarian mentalities” (from the abstract, see also pp. 178, 185). There were two reasons why we felt that the shortcoming did not render the results on ideology meaningless. One reason was explained in the paper:

Several of the questions would seem to be fairly neutral with respect to partisan politics, particularly the questions on licensing, the standard of living, monopoly, and free trade. None of those questions challenge policies that are particularly leftwing or rationalized on the basis of equity. Yet even on such neutral questions the ‘progressives’ and ‘liberals’ do much worse than the ‘conservatives’ and ‘libertarians.’ (Buturovic and Klein 2010, 185)

For example, on “A company with the largest market share is a monopoly,” the percentages getting the question wrong were as follows: Progressives 30.8%, Liberals 27.9%, Moderates 26.0%, Conservatives 12.5%, Very Conservatives 13.5%, and Libertarians 6.8%. From this and other questions that we did not see as particularly challenging to left positions we reasoned that, while the admitted slant of the set of questions exaggerated the magnitude of the differences between the groups, the survey nonetheless provided solid evidence of a real disparity in economic enlightenment.

There was a second specific reason that we felt sufficiently confident in the qualitative results about ideology, a reason not related in our paper. In separate survey work using the same questions, Buturovic tested some of the questions for their apparent ideological bias and found that, for some of the questions, the respondents had difficulty classifying them on an ideological scale or simply believed the question was not *prima facie* ideological (Buturovic, forthcoming).

Coming, as we do, from classical liberal/libertarian bearings, we felt the results were telling, even though the magnitudes were admittedly exaggerated. The ensuing controversy impelled us to investigate further: We wanted results for a survey with an ideologically more balanced set of questions. Again, the original survey was not designed for the purpose to which we put it. As we wrote: “It would have been good, for example, if a question had asked about negative consequences of drug prohibition, or the positive consequences of increased immigration from Mexico” (178).

The New Survey: Nine Additional Questions

We designed a new survey that preserves the eight questions used by our paper but adds new questions, each challenging conservative and/or libertarian mentalities. We arrived at the following nine additional questions (the numbering here continues from the original set of eight):

9. A dollar means more to a poor person than it does to a rich person.
 - Unenlightened: Disagree
10. Making abortion illegal would increase the number of black-market abortions.
 - Unenlightened: Disagree
11. Legalizing drugs would give more wealth and power to street gangs and organized crime.
 - Unenlightened: Agree
12. Drug prohibition fails to reduce people’s access to drugs.
 - Unenlightened: Agree
13. Gun-control laws fail to reduce people’s access to guns.
 - Unenlightened: Agree
14. By participating in the marketplace in the United States, immigrants reduce the economic well-being of American citizens.
 - Unenlightened: Agree
15. When a country goes to war its citizens experience an improvement in economic well-being.
 - Unenlightened: Agree
16. When two people complete a voluntary transaction, they both necessarily come away better off.
 - Unenlightened: Agree
17. When two people complete a voluntary transaction, it is necessarily the case that everyone else is unaffected by their transaction.
 - Unenlightened: Agree

Again, as in the first paper, we emphasize “knowing what ain’t so,” treating “Not sure” (and “Other”) as a not incorrect answer. We would also like to remind

the reader that the respondent chooses from a range of six answers. A “somewhat disagree” answer might seem reasonable in response to, say, “A dollar means more to a poor person than it does to a rich person” *if the only alternatives were “strongly” agree/disagree*, but in fact the respondent also has the “somewhat agree,” “Not sure,” and “Other” option. That is why we do not think that the “somewhat” saves “somewhat disagree” in response to that question.

In his critique of our first paper, David Ruccio’s chief point was that different viewpoints “use different economic discourses...and of course come up with different answers” (2010, 348), and on that ground objected to our “enlightenment” talk. We accept the first part but not the objection. The individual necessarily follows, employs, or selects certain viewpoints, formulations, and representations. We, the analysts, in turn judge of his speech acts, deeming some more enlightened than others, regardless of whether we use the term “enlightenment.” The occasion does not lend itself to delving into why we think as we do on each of the questions, and we simply proceed.

However, we do wish to make two remarks about certain question-specifics: (1) Questions 12 and 13 refer to effects on “access” to drugs/guns; we think it is reasonable to include price effects as a dimension of “access,” but, at any rate, we think that our position would be sound enough even if one were thinking that “access” did not include price effects. (2) The last two questions depart from the “by and large” or “on the whole” presumption that, we feel, naturally applies to statements such as those numbered 1 through 15. That is, the last two questions specify “*necessarily*” and even put that word in italics. Although the questions were ordered differently than as we present them here, they were ordered such that those two questions appeared last among the set of 17 questions. We did that because we did not want to introduce “necessarily” specifications until the other 15 questions were answered, from a concern that otherwise respondents might have thought “necessarily” for any of those 15 questions.

The survey was conducted as a Zogby International survey, administered by Buturovic. It was a nationwide survey of American adults, randomly selected from the Zogby International online panel routinely used in political and commercial research. On December 20, 2010, Zogby sent by email invitations to members of the panel. The invitation included a link that would take the respondents to the survey on Zogby’s own secure servers. The link expired after one use, which is one of several security measures Zogby takes to prevent answer duplication. Because the panel is large, it is difficult to maintain currency of all the email addresses in it; Zogby estimates that the 75% of the invitations sent were actually received. A total of 2727 respondents started the survey, and 2111 completed it by the close of the study on December 22. This gives us a response rate of 8.1 percent and a completion rate of 6.2 percent.

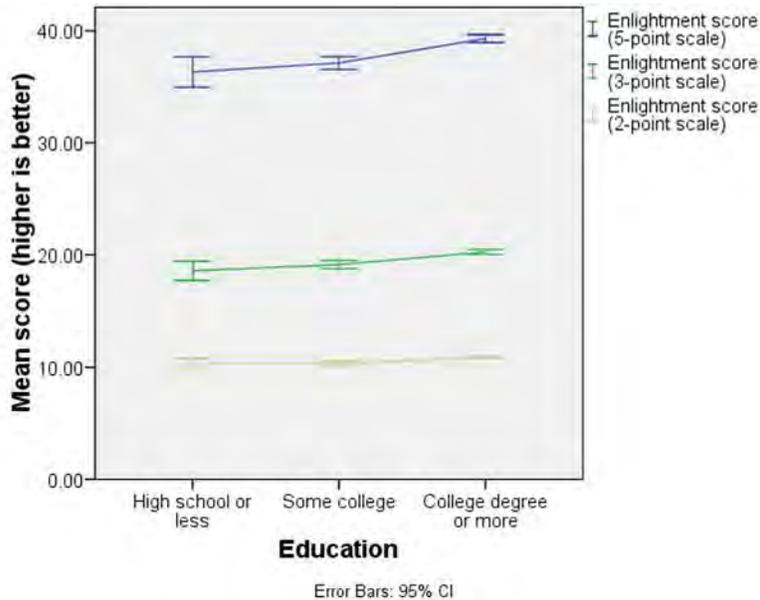
The Results on Economic Enlightenment and Going to College

As with our first paper, we keep the reporting direct and simple—we have not applied any weights to the data. We make the data available online as a linked appendix and invite others to explore the data for findings beyond those reported here.

In our first paper we found that performance on the eight-question test was nearly flat by level of schooling: Economic enlightenment was not higher by any meaningful amount among the respondents who had gone to college.

This result largely holds up in our new survey. On the 17 questions overall, those with high school or less ($n = 110$) got 6.72 incorrect on average (SE 0.24), with some college ($n = 549$) 6.66 incorrect (SE 0.10), and college or more ($n = 1475$) 6.10 incorrect (SE 0.06). These numbers are reflected in the lowest line in Figure 1, where the number incorrect is subtracted from 17, yielding the number not incorrect (which would include “Not sure” and “Other”). The figure also shows the results for other scoring systems (in the figure, higher is better)—just to show that the slightness of the incline is not specific to the two-point scoring system. We have also tabulated the results by question (using the two-point scale) provided as an appendix ([link](#)).

Figure 1.



But we must keep in mind a likely response bias: The quite-flat result is *for people inclined to take such a survey*. As we stated in our first paper: “The survey was initiated by email, and taking the survey would require a certain level of curiosity, reading comprehension, and cognitive focus. The survey procedure tends to screen out those of low IQ” (182). In other words, our sample of high-school-or-less respondents is surely not representative of that population: It is probably higher-IQ members of that population who are more likely to take the survey. Thus, for a representative sample the left end of the lines in Figure 1 would almost certainly be lower, and the overall upslope greater.

Still, we think it is significant that *for people inclined to take such a survey* we again find little relationship between college going and economic enlightenment, and this even once the economic enlightenment test has been expanded to be apparently ideologically neutral. That result suggests again that college going, relative to the other things that people might do with their lives, is not doing much to make people more enlightened, a result contrary to some other studies (see discussion and references in our first paper, 179-80) but congruent with the panel results reported in the new book *Academically Adrift: Limited Learning on College Campuses* (Arun and Roksa 2011).

The New Results on Ideology Vitate Our Interpretation of the Original Results

The eight questions that had also appeared in the first survey are in Table 1, while the nine new questions are in Table 2. The cells report percentage incorrect, so the higher the number the worse the performance.

Table 1 shows that on the original eight questions, each ideological group performed the second time about as it had performed the first time. Again, on this slanted set of eight questions, the conservatives and libertarians did significantly better.

Table 1. Percentage INCORRECT by Ideology (using two-point scale for question responses).

	Progressive (n=257)	Liberal (n=289)	Moderate (n=426)	Conservative (n=630)	Very Conservative (n=323)	Libertarian (n=198)	TOTAL (n=2123)
1. Restrictions on housing development make housing less affordable.	51.4%	45.3%	38.2%	19.6%	13.7%	8.6%	28.7%
2. Mandatory licensing of professional services increases the price of those services.	53.3%	50.5%	40.8%	17.2%	13.0%	8.6%	29.4%
3. Overall, the standard of living is better today than it was 30 years ago.	72.8%	57.1%	49.3%	36.3%	39.6%	36.9%	46.7%
4. Rent-control laws lead to housing shortages.	63.4%	57.8%	40.7%	18.3%	13.4%	7.7%	31.9%
5. A company that has the largest market share is a monopoly.	38.3%	34.0%	29.2%	12.7%	12.4%	9.1%	21.6%
6. Third-world workers working for American companies overseas are being exploited.	91.4%	80.6%	67.8%	28.3%	28.2%	30.3%	51.2%
7. Free trade leads to unemployment.	64.6%	39.9%	40.8%	25.9%	28.8%	24.2%	35.8%
8. Minimum wage laws raise unemployment.	93.0%	90.3%	69.7%	16.7%	9.6%	14.6%	45.3%
Subtotals: INCORRECT on average on the above 8 items	5.29	4.56	3.78	1.75	1.59	1.40	2.91
THE FIRST SURVEY: INCORRECT on average on the eight items	5.26	4.69	3.67	1.67	1.30	1.38	2.98
CHANGE FROM FIRST SURVEY	0.03	-0.13	0.11	0.08	0.29	0.02	-0.07

Table 2 shows the results on the nine new questions. Rather than vindicating, the new results vitiated our original interpretation that the left is exceedingly unenlightened and irresponsible. On the second set of questions, the new nine, the left groups do much better than the other groups. The penultimate row of Table 2 shows that, on the new nine, the number incorrect, on average, is as follows: Progressives 2.00, Liberals 2.35, Conservatives 4.00, Very Conservatives 4.57, and Libertarians 3.82.

As tempting as it might be to think that folks of your own persuasion are, on the whole, especially scrupulous in their judgments, the results of our surveys certainly do not authorize any such conclusions, regardless of what your persuasion happens to be. At this point the reasonable conclusion is that the various groups do equally badly.

Table 2. Percentage INCORRECT on the nine new questions.

Progressive (n=257)	Liberal (n=289)	Moderate (n=426)	Conservative (n=630)	Very Conservative (n=323)	Libertarian (n=198)	TOTAL (n=2123)
9. A dollar means more to a poor person than it does to a rich person.						
3.9%	5.5%	15.3%	40.7%	43.6%	30.5%	25.8%
10. Making abortion illegal would increase the number of black-market abortions.						
4.3%	7.3%	13.8%	36.9%	54.2%	21.4%	25.4%
11. Legalizing drugs would give more wealth and power to street gangs and organized crime.						
3.9%	7.3%	13.2%	29.8%	39.4%	9.1%	19.8%
12. Drug prohibition fails to reduce people's access to drugs.						
87.5%	88.6%	80.5%	67.6%	67.2%	88.9%	77.4%
13. Gun-control laws fail to reduce people's access to guns.						
47.9%	56.4%	61.6%	76.6%	76.0%	78.3%	67.4%
14. By participating in the marketplace in the United States, immigrants reduce the economic well-being of American citizens.						
8.2%	12.5%	24.9%	47.2%	57.3%	37.6%	33.9%
15. When a country goes to war its citizens experience an improvement in economic well-being.						
11.7%	17.0%	20.5%	28.4%	29.2%	18.2%	22.4%
16. When two people complete a voluntary transaction, they both <i>necessarily</i> come away better off.						
24.5%	32.6%	40.6%	58.7%	69.0%	73.2%	50.3%
17. When two people complete a voluntary transaction, it is <i>necessarily</i> the case that everyone else is unaffected by their transaction.						
7.8%	8.0%	11.8%	14.6%	18.9%	23.7%	13.8%
INCORRECT on average <i>on the nine new items</i>						
2.00	2.35	2.83	4.00	4.57	3.82	3.35
INCORRECT on average of all 17 items						
7.30 (SE=.12)	6.91 (SE=.13)	6.61 (SE=.12)	5.75 (SE=.09)	6.17 (SE=.12)	5.23 (SE=.15)	6.28 (SE=.05)

It should be borne in mind that the ideological fault-lines are not one-dimensional, left vs. right. Some of the new questions challenge conservative and not libertarian positions, and some challenge libertarian and not conservative positions. The results consistently show that the more the statement challenges the group's position, the worse the group does on it.

The bottom row of Table 2 shows the total incorrect on average over the 17 questions. The number for the Libertarians is a little better (that is, lower) than those of the other groups. Nothing should be made of that. Not only are the differences small, but we now know that a lot depends on being challenged and, moreover, *on being reassured* by the point of the survey item. We do not attempt to determine an overall slant to the set of questions, which presumably would be done by weighing the challenge and the reassurance each question holds for each group, but we certainly do not suggest that there is any evenness overall. Note that, of the

points raised by the new statements, those numbered 11, 14, and 15, as well as 10 in as much as libertarians are pro-choice on abortion, not only do not challenge libertarian positions, but even reassure them.

Concluding Remarks

The results of the new survey support our finding that, for people inclined to take such a survey, the relationship between going to college and economic enlightenment is quite flat. However, the new results vitiate our previous evidence of the left being worse in economic enlightenment. Once we construct questions that set traps, as it were, for conservatives and libertarians, they fall into them *just as readily* as the left fell into traps in the previous set of questions. We hope that these new results reach readers of our previous paper. We are grateful to all of the critical emails and commentaries that helped prompt the second survey, and especially to the gracious commentaries by Hill, Kain, Kuehn, and Ruccio.

Still, we do not shrink from talking economic enlightenment. We think that the 17 questions make for a valuable investigation. We suspect that most of our critics would, push come to shove, go along with most of the judgments we make about what answers are correct (and, even more so, not incorrect). In the new survey, which is probably more or less ideologically balanced, about 37 percent of answers were incorrect—people knowing what ain't so.

Adam Smith suggested that most people are “unfit to judge” of public policy issues (1776, 266). Our new results might perhaps be useful in bolstering a presumption against the governmentalization of social affairs, because governmentalization tends on balance to inject expressive politics, foolishness, and worse into the ways those affairs are organized and conducted (Brennan and Lomasky 1993; Caplan 2007; Friedman 2007, 2008; Brennan 2011).

Other Results

Both the original and the new surveys included a standard slate of social/demographic questions. In our previous paper we reported on all those that follow, without commentary. We repeat such reporting here, not because the new results that follow are interesting or telling, but more to supersede the reporting of the results of the prior highly slanted measure of economic enlightenment. We report mean INCORRECT over the 17 economic questions. Again, “incorrect” is coded based on the two-point scale (with “Not sure” and “Other” treated as not incorrect). The maximum number incorrect would be 17, the minimum would

be zero. (The questions have Zogby numbering—“2002” in the case of the one immediately following.)

2002. How likely are you to vote in **national** elections?

	Likelihood	Mean	Std. Error
Total incorrect (0-17)	Very likely	6.28	.05
	Somewhat likely	6.67	.59
	Not likely	6.13	.53
	Not sure	6.33	.33

2003. In the 2008 presidential election, the candidates were Democrat Barack Obama, Republican John McCain, independent Ralph Nader, Libertarian Bob Barr, and Green Cynthia McKinney. For whom did you vote?

	2008 Election	Mean	Std. Error
Total incorrect (0-17)	Obama	6.90	.07
	McCain	5.85	.07
	Nader	5.68	.35
	Barr	5.52	.25
	McKinney	7.69	.56
	Someone else	5.70	.36
	Did not vote	5.41	.42
	Not sure	5.00	1.00

2004. In which party are you either registered to vote or do you consider yourself to be a member?

	Party	Mean	Std. Error
Total incorrect (0-17)	Democratic	7.03	.08
	Republican	5.79	.08
	Independent/Unenrolled/Unaffiliated	6.16	.10
	Libertarian	5.58	.25
	Constitution	6.13	.58
	Green	7.50	.57
	Other	6.67	.73
	Not sure	6.00	.55

ECONOMIC ENLIGHTENMENT REVISITED

702. Which of the following best represents your race or ethnic group?

	Race	Mean	Std. Error
Total incorrect (0-17)	White	6.28	.06
	African American	7.03	.22
	Asian/Pacific	5.34	.39
	Arab American	5.71	.44
	Other/mixed	6.15	.21

703. Do you consider yourself Hispanic or Latino?

	Hispanic/Latino	Mean	Std. Error
Total incorrect (0-17)	Yes	6.39	.18
	No/NS	6.29	.05

905. Which of the following best represents where you live?

	Live	Mean	Std. Error
Total incorrect (0-17)	Large City	6.29	.09
	Small City	6.33	.11
	Suburbs	6.10	.10
	Rural	6.48	.11

907. Which of the following best represents your religious affiliation?

	Religion	Mean	Std. Error
Total incorrect (0-17)	Catholic	6.50	.12
	Protestant	6.05	.08
	Jewish	6.27	.27
	Muslim	7.18	.71
	Mormon	5.85	.60
	Atheist/Realist/Humanist	6.61	.16
	No affiliation	6.42	.12

908. **(Only if 907=2)** Do you consider yourself to be a born-again, evangelical, or fundamentalist Christian?

	Born Again	Mean	Std. Error
Total incorrect (0-17)	Yes	6.12	.11
	No/NS	6.01	.11

909. Are you or is anyone in your household a member of a union?

	Union	Mean	Std. Error
Total incorrect (0-17)	Yes	6.56	.13
	No/NS	6.22	.06

914. Which of the following best describes your marital status?

	Status	Mean	Std. Error
Total incorrect(0-17)	Married	6.21	.06
	Single	6.22	.14
	D/W/S	6.43	.13
	Civil Union	6.91	.26

926. Do you consider yourself to be mostly a resident of: your city or town, America, or the planet earth?

	Residency	Mean	Std. Error
Total incorrect (0-17)	My city or town	6.07	.11
	America	6.07	.07
	The planet earth	7.04	.10

940. Are you or is any member of your family a member of the Armed Forces?

	Armed Forces	Mean	Std. Error
Total incorrect (0-17)	Yes	6.44	.14
	No/NS	6.25	.05

946. Do you consider yourself a NASCAR fan?

	NASCAR fan	Mean	Std. Error
Total incorrect (0-17)	Yes	6.41	.15
	No/NS	6.26	.05

ECONOMIC ENLIGHTENMENT REVISITED

970. How often do you attend church, mosque, synagogue, or other place of worship?

	Attend services	Mean	Std. Error
Total incorrect (0-17)	Weekly+	6.25	.15
	Weekly	6.16	.12
	1-2/Mo	6.27	.16
	Holidays	6.19	.19
	Rarely	6.26	.09
	Never	6.53	.11

972. Would you consider yourself to be a member of the “investor class?”

	Investor Class	Mean	Std. Error
Total incorrect (0-17)	Yes	5.93	.07
	No/NS	6.58	.07

757. How often do you shop at Wal-Mart?

	Wal-Mart	Mean	Std. Error
Total incorrect (0-17)	Weekly	6.25	.12
	Few/Mo	6.26	.10
	1-2/yr	6.00	.09
	Never	6.73	.11
	Other	6.42	.36

921. Which of the following best represents your household income last year before taxes?

	Income	Mean	Std. Error
Total incorrect (0-17)	< \$25K	6.90	.18
	\$25-35K	6.94	.21
	\$35-50K	6.59	.17
	\$50-75K	6.32	.11
	\$75-100K	6.24	.12
	\$100K+	5.95	.10

922. Gender

	Gender	Mean	Std. Error
Total incorrect (0-17)	Male	6.09	.06
	Female	6.65	.09

Appendices

Appendix 1: The survey instrument. [Link](#)

Appendix 2: The data. [Link](#)

Appendix 3: A tabulation for each of the 17 questions of percentage incorrect by level of schooling. [Link](#)

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Remarks from 1809 by Dupont de Nemours on Adam Smith

Pierre-Samuel Dupont de Nemours
translated by Frederic Sautet

[LINK TO ABSTRACT](#)

Preface

by Dan Klein and Frederic Sautet

Here we provide a translation of some remarks about Adam Smith by Dupont de Nemours from 1809. During Smith's time in France (1764-66) the two men met and interacted. Published 18 years after Smith's death, the remarks repeatedly suggest that Smith, in writing *The Wealth of Nations*, engaged in what might variously be called hedging, moderating, compromising, bargaining, strategizing, being tactful, or even fudging, dissembling, or dissimulating. Dupont made his remarks as commentary placed within the collection of Turgot's work that he edited. The remarks say little about Turgot, and come across as a rather gratuitous speculation on Smith's fudging. McLain (1977, 216n45), Ross (1995, 214), and Rothschild (2001, 66-67) have noted that Dupont here suggests that Smith moderated his support for liberalization, or at least wrote of certain taxes as less unfavorable than he really thought.

Dupont's remarks from 1809 make a good companion to his letter to Smith twenty years prior, 19 June 1788, a letter only recently translated. Prasch and Warin (2009) take as the title of their translation and discussion a line from the letter, "Il est encore plus important de bien faire que de bien dire," or: It is more important to do well than to say well. The piece by Prasch and Warin, containing the 1788 letter, is available [online](#) (and [here](#) is the letter in the original French), and we

recommend it to anyone interested in Smith or in the compromising nature of political and economic discourse.

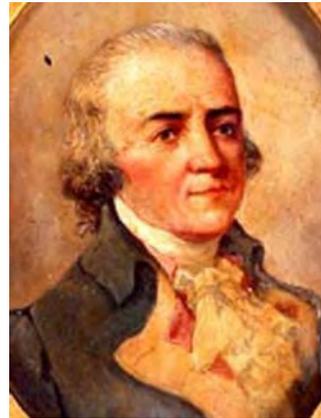
Dupont's 1788 letter to Smith accompanied a copy of a pamphlet that Dupont had recently published. Dupont explains to Smith that the "bright light" of political economy must be dimmed when "we announce to our traders, to our producers and to the cream of our civil administrators that it is useless and dangerous to give specific encouragement to firms and the export of their products." "By assaulting their eyes with a bright light, we would reconstitute their blindness." Thus, Dupont asks, "I hope you will forgive the deficiencies of my work that are not unknown to me and some of which were voluntarily committed" (Prasch and Warin 2009, 69).

Prasch and Warin (2009) and Rothschild (2001, 55, 271n29) show quite convincingly that this letter influenced Smith's additions to *The Theory of Moral Sentiments* contrasting the man of public spirit and the man of system. In the material translated here, we see Dupont returning to the "bright light" metaphor, ascribing to Smith the same kind of fudging he had confessed to Smith in 1788.

The literature on Smith has ample discussion of whether he fudged his views in the matter of religion—for example, Bittermann (1940) suggesting "an element of deliberate deception in Smith's remarks about religion in the *Moral Sentiments*" (710). But discussions of Smith fudging his policy views, though hinted at by Dugald Stewart, have been less developed. A recent exploration is represented by the dissertation work of Clark (2010, 2011).

Prompted by the splendid contribution of Prasch and Warin, we offer an English version of Dupont's 1809 remarks with minimal commentary. Dupont's economic argumentation here is poorly expressed and often dubious at best. We are inclined to think that Dupont pronounces Smith's compromises somewhat too eagerly, and somewhat too extravagantly; Dupont's remarks might reveal as much about Dupont as about Smith. But readers might find Dupont's remarks useful in interpreting Smith's words.

About Dupont de Nemours: The following biographical information comes from Mossner and Ross (1977, 311n1): "Pierre-Samuel Dupont de Nemours (1739-1817), philanthropist, economist, Deputy to the National Assembly, and translator of Ariosto. He impressed the *économistes* by his *Réflexions sur l'écrit intitulé: Richesse de l'État* (1763), and publicized Quesnay's system in frequent articles for two journals he edited: *Journal de l'agriculture* (1765-6) and *Éphémérides du citoyen* (1768-72), also he published Quesnay's writings together with an



analysis in *Physiocratie* (1768). His treatise *De l'origine et du progrès d'une science nouvelle* (1767) and the *Tableau raisonné des principes de l'économie politique* (1775) are among his important contributions to the literature of economics. He became the friend and confidant of Turgot and served under him in the French Government, 1774-6; later he wrote memoirs of Turgot (1782), then enlarged these for an edition of Turgot's complete works (1808-11). As a practical politician he took part in the early stages of the French Revolution, but his views clashed with those of the Jacobins, and after running a clandestine press he was imprisoned, surviving this period solely as a result of the fall of Robespierre. In 1799 he emigrated to the United States and a year later, at Jefferson's request, he prepared a plan for national education. At this time his son, Eleuthère Irénée, set up a gunpowder mill in Delaware, thus founding the family chemical industry. The father returned to France in 1802 to assist in the negotiations for the Louisiana Purchase, and was active in bringing down Napoleon's regime in 1814, but a year later returned to America where he died."

About the 1809 text: Between 1808 and 1811 Dupont edited *Oeuvres de Turgot* and published them in nine volumes. The text translated is Dupont's commentary on Turgot's *Réflexions sur la Formation et la Distribution des Richesses*, and immediately follows that work. We have taken the text as found in a subsequent version of Turgot's collected works, edited by Eugène Daire and Hippolyte Dussard, a version that reproduces Dupont's commentaries, Paris, Guillaumin, 1844. The text is available online [here](#), at pp. 67-71.

About the translation: Frederic Sautet did the translation. Dupont's original text reads as though it were written hastily. The translation places faithfulness above enhancing clarity. Instead, we tried to enhance clarity by inserting clarifications in brackets [like this]. When we wish to put the clarification in our own voice we precede it with "K&S" for Klein and Sautet (as opposed to "Eds.", which a reader might read as Daire and Dussard).

About the difficult discussion of taxation: Where Dupont writes "The only criticism..." he embarks on matters that are difficult for us to make sense of, matters of what Smith said about taxation, of whether Smith makes sense, whether Dupont represents him fairly, and whether Dupont's analysis makes sense. We do not attempt to sort matters out, but the following notes may be useful:

1. Smith writes: "By necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without" (WN, 869.3—meaning page 869, paragraph 3). He then says: "All other things I call luxuries..." Thus, "luxuries" for Smith are simply non-necessaries.

2. It is important to recognize the population mechanism in Smith's theorizing of the taxation of necessities—presumably, Smith holds that the employer feels impelled to employ only “creditable” people. When Smith says that consumption taxes on necessities lead to corresponding increases in nominal wages (871.4), his period of analysis is at least the duration between human generations. Dupont, it seems at points, loses sight of that, and works from a shorter period of analysis.
3. In Smith's reasoning, the taxation of “luxuries” tends not to raise wages, because they do not figure into the population mechanism (871.6-9).
4. From our reading of Smith, we might say that Dupont's representation of Smith's Book V judgment on British taxation of “luxuries” is one-sided. Yes, Smith sometimes endorses or excuses the practice (871-873; see also 936.75), but Smith later devotes several pages (896-990) to how “[t]axes upon luxuries...offend in every respect the fourth” maxim of taxation, in that “[s]uch taxes, in proportion to what they bring into the publick treasury of the state, always take out or keep out of the pockets of the people more than almost any other taxes” (899.60-61).
5. Dupont argues that taxing “luxuries” leads to an increase in nominal wages via the following mechanism: Laborers find that their real wage is reduced, and hence less readily seek work, reducing the competition among workers, and leading to higher wages. The 1844 text includes a footnote, which we have translated and reproduced, by editor Hippolyte Dussard that criticizes Dupont's reasoning.

We see a certain irony in that Dupont, who was inclined to look between the lines, focused mainly on Smith's discussion of certain consumption taxes. The tax that Smith in fact seems most enthusiastic about is some kind of land-value or ground-rent/“geo-rent” tax (Foldvary 2005), but his arguments for it are oddly dispersed, occurring principally at 832-34, 840-44, 848-50, 934.70. Interestingly, when Smith first describes the tax that he feels should “be established as a perpetual and unalterable regulation, or as what is called a fundamental law of the commonwealth” (834), that is, the discussion on pages 832-34, he avoids altogether the word “ground-rent,” which then surfaces prominently from 840ff. In this fashion he never confronts the radical nature of the proposal, but, rather, remarks nonchalantly that “such a system of administration” does not appear likely to occasion any inconveniency to the landlord “except always the unavoidable one being obliged to pay the tax” (834). That Smith may have fudged on the matter is suggested by Henry George (1887, 8-9, 14, 292; 1898, 160-69, 182), although George seems to understate the degree to which Smith wrote favorably of ground-rent taxation.

Now we turn to Dupont's 1809 commentary.

Some comments on the points of agreement and disagreement between Smith and Turgot

by Samuel-Pierre Dupont de Nemours

This eternally classical work [Turgot's *Reflections*], which was written nine years before Adam Smith's famous magnum opus and published five years before the time when Smith set to work on his own, shows how the two authors [Turgot and Smith] are in complete agreement on the following points: the principles of agriculture and commerce; the progress of society due to the division of labor (including the advantages that resulted from that division and will result from it in the future); the composing elements of the prices of goods, including design and marketing; the introduction and the usefulness of money; the formation of capital; the distribution and use of capital; the effect of IOUs when they are of repute; the interest rate on monetary credit; the necessity to leave commerce and social norms absolute freedom.

They differ chiefly in the sense they give to the notion that some works are *wealth producing* when they are only *conservative* [of the wealth] and help in the accumulation of capital.

Indeed, *accumulation* should not be confused with *production* by such a mind as that of Smith.

He makes the not well-founded distinction between the type of works that produce goods for durable consumption, which he sees as being the only productive ones because they stabilize the value of the worker's total consumption, and those that produce goods for immediate consumption and which do not create much satisfaction in the long run.

If one admits that distinction, then one may be led to conclude that the work of a music composer whose work is printed and kept is always productive, whereas that of a gardener who produces fruits for immediate consumption is not.

It wouldn't have been necessary to insist on that point.

Philosophers and statesmen who are worthy of reading Smith's work and know how to admire it will understand.

This is especially true since his mistake is mostly in the expression and does not take away the general beauty of Smith's doctrine, as it does not affect Smith's fundamental principles of freedom in commerce and labor. The only criticism that can be leveled against his work is a weakness or perhaps some complacency, in the second section of the second chapter of his fifth book [K&S: Dupont presumably means especially V.ii.k, "Taxes upon consumable Commodities," 869-906], with

the vices of English public finance, and the inconveniencies, the dangers, and actual negative impacts of its taxes.

It appears that he may have been frightened that the severe judgment implied in his book would upset the numerous perceptions in England that contribute to reduce freedom in matters of labor, commerce, but also in more mundane and innocent actions that a citizen in the republic of Great Britain should enjoy in the privacy of his own home; as well as the abuses that these opinions create.

After having shown in his first four books how these opinions were contrary to wealth creation, he must have wanted to show that they were not so destructive after all.

He went as far as saying, in a surprising way for a genius like him, that [K&S: the following words attributed to Smith are not an actual quotation; Dupont has perhaps in mind 871-873, and possibly 936.75] “taxes on consumption, especially taxes on sugar, tea, beer, and tobacco, do not increase wage rates; they [those taxes] have the same effect as luxury laws [taxes on luxury goods]; and through forced frugality, they even turn out to be advantageous for the wage earner’s family.”

His skilled French translator, Senator Germain Garnier, has already refuted Smith’s mistakes, which were not and could not have been the result of his great mind, but rather a sacrifice to popular opinion, a sacrifice that he thought was useful in his homeland. — Under the circumstances in which he found himself at the time (and in which his government is still to be found), he thought that in order to maintain public peace, one should not assault infirm eyes with a bright light turned too directly towards them.

Smith’s tact did not fit the state of English public finance, and we do not believe that it was as useful as Smith thought it would be. — Errors are not only detrimental to those who commit them but also to their neighbors. We [the French] are the neighbors of the English, and we also have a fatherland. [K&S: that is, Smith’s errors produce mischief in France, where his writings are also influential]

Luxury laws prohibit freedom. No one has shown it as well as Smith did: such laws weaken social conventions and stop or slow down labor’s efforts and the incentives to work. — Is there any resemblance between scarcity caused by poverty and the injunctions caused by such laws, which affect consumption of product of low utility or for pure pleasure? To think of these two categories in the same way is to be rather inexact. And what should we think when this confusion happens to a writer like Smith who is normally extremely specific and exact?

Goods for mundane daily consumption cannot be thought of in the same way as luxury goods, which don’t fulfill real needs and over which luxury laws apply, but which must be discouraged through the example of statesmen, social norms, and not by legislation.

Consumption taxes are generally levied on goods that are necessary to everyone, and especially to the poor, because taxes that would be levied on luxury goods would not pay for their enforcement costs.

Forced frugality cannot be beneficial to the family that is reduced to it.

England's social mores and climate make beer and tea primary goods, including for those in great poverty. And in every country, people know that the habit of smoking tobacco can become an addiction.

Even if the laborer's consumption was less general and less necessary, isn't it a principle demonstrated by Smith that the laborer works only to obtain his wage, that is, the capacity to obtain what competition from other laborers enables him to get?

If some authority seizes temporarily a portion of that income, the entrepreneur may increase the laborer's income to compensate him for that lack; this increase, in addition to the reimbursement of the amount he [the laborer] was forced to pay in taxes, should also compensate him [the entrepreneur] for the trouble, the embarrassment, and the costs of being constrained to advance the money. The only condition that cannot be violated is the integrity of one's income or what competition enables one to get.

If we were to imagine circumstances that would make possible the taxation of a portion of the wage destined to the laborer's enjoyment, it would follow that competition to obtain that salary would decline, which would force again the entrepreneur to compensate the laborers.

And it remains obvious that the less the laborer gets taxed on his consumption, the fiercer the competition among laborers will be, and the more each of them, being assured to enjoy his present state, will be satisfied with what he can obtain without asking for a greater wage.

Smith gets by only by stating a fact that appears sensible only when it is poorly examined; and he was one of the most capable men to examine and discuss a fact: "wages, he said, have not been increased in England since taxes were introduced and increased, which confiscated part of the proceeds." [K&S: again, the words attributed to Smith are not an actual quotation and perhaps correspond to words at 871.6]

What does it prove? — This state of affairs has two causes.

On the one hand, the increase in the population, which has been important and certainly does not come from taxes on consumption, has, with the help of a strengthened competition, reduced the laborers' desire to demand higher salaries. On the other hand, improvements in arts and the division of labor have reduced the production costs of many of the goods that laborers use, and have helped them keep more or less the same real standards of living, in spite of a portion of their wages being diverted away.

But if wages were not taxed, it is clear that competition restraining the wage to the laborer's needs, that is to say what the laborer really obtains from his wage, this wage would reduce in an amount at least similar to the tax itself.

Taxation [K&S: of "luxuries"] thus increases the wage.

Smith seen in private, in his room or in that of a friend, as I saw him when we were co-disciples at Mr. Quesnay's, would not deny that view.

He who reasoned so well, didn't reason in favor of the kind of taxes that his country used exaggeratedly [K&S: that is, "luxury" consumption taxes]. He only states the following vague idea: *England prospered*. He knew better than anyone else that England prospered in spite of it [such taxation] and not because of it.

The last part of his fifth book, in great opposition to his own doctrine and to the rest of the book, could be summarized in those terms: "In spite of what I proved against the obstacles to development, industry, work, the free use of capital, and the ease of communication, the inadequate English tax system, which local circumstances render less confiscatory than similar systems in other countries (proposition that he has not proven), has not hampered the progress, even rapid, in the accumulation of riches witnessed in my nation." [K&S: again, not an actual quotation; the ideas perhaps correspond to material at 899.66-900.69, 929.58]

No one more than he would have calculated what general progress and wealth would have been without those obstacles.

As soon as a nation witnesses the formation of capital and land becoming arable, it is impossible not to witness wealth and progress. It's easy to understand.

No work can be done without the worker being paid enough to maintain a level of subsistence and to maintain his capital.

No capital can be used in production or to pay laborers without the capitalist being reimbursed for the principal plus interest; for no one would want to advance any capital without making a profit.

When land is arable, the one who has some capital that he can use to buy land will not allocate his means to another use if he cannot make a profit at least equal to that he could make in land.

No good can be produced, no merchandise can be made, and none of them can be sold without their price ensuring an interest for the capital advanced by the capitalist.

But all the laborers and the maintenance of all the capital goods and plants are necessarily paid from the proceeds of sales, payments made before the interest has been paid; thus there is always in every business venture that survives the profit of the capitalist, and in addition to his personal remuneration for his work, an interest paid on the capital that he advanced and which he could not renounce without renouncing to his venture. If the capital generates enough interest beyond what the

capitalist invested, the capitalist can enjoy his capital with the interest accumulating along with the principal and thus progressively growing.

This is what Mr. Turgot established with the greatest accuracy in his paragraphs 57-63, 67, 68, 71, 72, 87-90, and 92.

The power of compounded interest to increase capital, to reduce the interest on monetary credit, to offer new means to start useful businesses, and to ceaselessly perfect work, is such that the greatest errors of governments, or even the horrors of war, when they are not a devastation of barbarians, can only rarely hamper riches; and the use of science thanks to the accumulation of riches, and all the practical progress in daily life that results from it, increase from centuries to centuries the affluence and happiness of humankind.

From the wealth of a nation that increases, or at least does not diminish, one should not infer that its government is without fault. It can only be said is that it is not bad enough to bring about a retrograde trend to the all the ventures or at least to the most useful ones.

The laws of nature and the goodness of Providence fight, generally with success, against the follies and even the crimes of men; they mend their sad consequences. What will it be like when men become enlightened enough not to hamper, or only slightly, the laws of nature, and to enjoy peacefully and thankfully the blessings of heaven!

Footnote by the 1844 editor Hippolyte Dussard:

This note by Dupont de Nemours presents a very interesting critique of Adam Smith's opinion on the effect of indirect taxation on wages [K&S: that is, taxes on consumption]. Turgot and Dupont de Nemours were strong supporters of direct taxation [K&S: that is, taxes on income and capital]. They correctly believed that consumption taxation is an impediment to wealth creation; and Dupont explains perfectly that this tax, to be productive, must be levied, not on luxury goods, but on bare necessities, or (and this is the same), on general goods.

We believe this antipathy [to indirect taxation] has gone too far. Some goods are taxable in essence, and among those are tobacco products. — Following Dupont's advice, we would obtain this result: tobacco products could be taxed as long as they are not widely consumed, but once they become part of general consumption, they couldn't be taxed anymore.

What Dupont de Nemours adds, when he explains that the entrepreneur must increase the laborer's wage when the latter is taxed, proves that he didn't have a very clear theory of wage determination; for this is not the way it is determined. The wage only depends on the portion of capital dedicated to labor. Wages are higher when laborers, compared to the amount of capital, are fewer; and it is lower

in the opposite situation. If taxation destroys part of that capital, wages will necessarily go down, not up.

This conclusion, that [consumption] taxation increases wages, is not founded, and it would be more exact to say that consumption taxation, by *increasing* prices of essential goods, limits the laborer's consumption potential, and thereby reduces production, and brings more labor force on the market. — This is not, however, a cause for wage increase.

As to the end of the note, regarding the use of capital and the increase in wealth, it is perfect. [K&S: thus ends Dussard's footnote on Dupont's comments]

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Pierre-Samuel Dupont de Nemours: Please see the bio and photo contained in the Preface to this piece.

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An Award for Calling the Crash

Mason Gaffney¹

[LINK TO ABSTRACT](#)

The crash of 2008 surprised most of us. It showed that economic confidence was illusory and economic underpinnings unstable. The episode has led many to ask how economists could have been so in the dark. It was natural that some would ask: Who best predicted the crash of 2008?

There were several economists who long warned of deeply rooted problems and who predicted trouble on the horizon. Many of them have received attention for their forecasts, and I do not wish to take anything away from them. I want to highlight the prediction of one economist who predicted the crash remarkably early and with remarkable precision. I know—even a stopped clock is right twice a day. But if we are going to survey the record of remarkable predictions, we should get the record right and leave as secondary the matter of judging the wisdom behind observed accuracy.

As it happens, I think there is much wisdom behind the remarkable prediction I wish to highlight. It was made by my long-time friend Fred Foldvary—who is a co-editor of this journal (*Econ Journal Watch*). In 1997, Foldvary published an article “The Business Cycle: A Georgist-Austrian Synthesis” in the *American Journal of Economics and Sociology*. Foldvary says that expansions in money and credit fuel malinvestments in higher-order capital goods and speculative cycles in real-estate and land. He takes land values and real-estate trends to be particularly telling indicators of unsustainable booms and impending busts. He applies the ideas to the historical studies of U.S. cycles, building on the idea of real-estate cycles by Homer Hoyt (1933).

Here from Foldvary (1997) is the final paragraph in its entirety:

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The 18-year cycle in the US and similar cycles in other countries gives the geo-Austrian cycle theory predictive power: the next major bust, 18 years after the 1990 downturn, will be around 2008, if there is no major interruption such as a global war. The geo-Austrian synthesis provides a research agenda that can test historical cases in more detail. Much work needs to be done on empirical studies linking the money supply, real estate markets, and business cycle. However, given the evidence as presented here, the Georgist component of the geo-Austrian synthesis is testimony to the insight of Henry George, who originated one of the earliest theories of the business cycle, a theory which has been confirmed by subsequent history as a relevant and important explanation of booms and busts. (Foldvary 1997, 538)

Foldvary's prediction in 1997 of "the next major bust" coming in 2008 was not an off-hand comment, nor was it just one prediction now cherry-picked from a profusion of predictions. Dr. Foldvary is not a newsletter writer or investment guru, but a professional academic economist. After publishing his prediction in 1997, Foldvary followed the economic data and saw continued confirmation of his ideas, and consistently repeated his one great prediction in public lectures and articles. Most importantly, in Spring 2007, well before the crisis hit, Fred published a booklet entitled *The Depression of 2008* ([link](#)). Foldvary stands out as the person who called the 2008 crash.

Furthermore, there is usually a lag of at least two years from the time that a scholarly article is written to the time it appears in print, so Foldvary's prediction, committed to paper, must date from around 1995. Foldvary's prediction distinguishes itself from most others by its having appeared in a refereed professional journal. *The American Journal of Economics and Sociology* was established in 1941 and has long been indexed in the Social Science Citation Index.

When the crash hit in 2008, economic science took a lot of flack. But one scientific journal did call the 2008 crash, way back in 1997.

I am moved to write the present missive mainly to acknowledge a remarkable prediction that has been too little acknowledged. I hope that awareness of Foldvary's prediction will bring more attention to the economic uniqueness of land and how that uniqueness can be better integrated into economic analysis. Land is the only resource that is, by definition, strictly immobile, and is neither created, destroyed, nor hidden, and that is hardly subject to discovery once the territory has been charted.

But there is a second impetus to this missive. In 2010 two contests were held by the Real-World Economics Review Blog—henceforth RWERB. One contest was the Dynamite Prize to select the economists most responsible for the crash of

2008. The other was the Revere Award for three economists who best explained and predicted the recession and crash. It was named for Paul Revere, who famously warned “The British are coming!”

RWERB invited nominations. The blog-post inviting and containing the nominations is no longer listed in the archive, but, as of this writing, still live at [this URL](#). I duly nominated Foldvary’s 1997 article, as did (in chronological order) Rick Heggem, Daniel Klein, Rainer Friedrich, Roy Langstan, Jeffrey Smith, Peter Radford, Edward J. Dodson, Bill Batt, Peter Perisø, and Richard Biddle, as well as two commentators using obvious pseudonyms. Thus, some 13 individuals nominated Foldvary. The nominations of Foldvary were properly uploaded and displayed at the RWERB blog-post inviting nominations. At that post there were nominations for many individuals.

On 31 March 2010 the RWERB posted “Shortlist for the Revere Award” ([link](#)). In that blog-post, the “Editor” writes:

To its great shame, the economics establishment has attempted to evade responsibility for the Global Financial Collapse by calling it an unpredictable, “Black Swan” event. That assertion is manifestly untrue. Numerous non-neoclassical economists foresaw the crisis and warned the public (usually at the cost of ridicule) of its approach. The Revere Award aims to give these economists the professional and public recognition that they deserve, to encourage others to utilize their methods, and—most important—to increase the likelihood that, for the benefit of humankind, empirically responsible economists will be listened to in the future.

97 people have been nominated for the award. Some of these did not fit the requirement stated in the original announcement of the award, that the nominees should be *economists (broadly interpreted)* and to have publicly warned of this particular collapse, not collapses in general. From those nominees who filled these requirements and through consultation with this blog’s community of authors, a shortlist of 12 has been selected. All of them are worthy of our special regard. If any of them had been listened to by the powers that be, a colossal amount of human misery would have been avoided.

Criteria used in the selection included the following:

1. that the prediction was not whimsical or lucky, but was driven by theories, methods, and tools that are clearly within the domain of ‘economic thought’;

2. that the forecast could be replicated given similar data;
3. that the forecast was made public, and
4. that the methods and tools used will spur the development of economics such that the subject gains rather than loses traction as a result of the crisis. (RWERB March 31, 2010, [link](#))

Thus, the “blog’s community of authors”—who remain unnamed—prepared the shortlist upon which RWERB readers would vote. The award’s stated criteria are tailor made to vault Foldvary and his 1997 article into the shortlist. “The Revere Award aims to give these economists the professional and public recognition that they deserve.”

But somehow the blog’s community of authors saw fit to exclude Foldvary from the shortlist. Another blog-post of March 31, 2010 opened the voting:

Through consultation with contributors to the Real-World Economics Review Blog, the following shortlist of twelve economists has been selected for the ballot: *Dean Baker, Wynne Godley, Michael Hudson, Steve Keen, Paul Krugman, Jakob Brochner Madsen, Ann Pettifor, Kurt Richebächer, Nouriel Roubini, Robert Shiller, George Soros and Joseph Stiglitz*. (RWERB, March 31, 2010, [link](#))

At the blog-post you can read many comments objecting to the shortlist. Foldvary was not the only nomination suppressed. For example, the blog’s community of authors also suppressed Nassim Nicholas Taleb. Taleb was active in warning of the coming crash. For example, in *The Black Swan* (2007, 225) he wrote: “The government-sponsored institution Fannie Mae, when I look at its risks, seems to be sitting on a barrel of dynamite, vulnerable to the slightest hiccup. But not to worry: their large staff of scientists deem these events ‘unlikely.’” At RWERB’s blog-post omitting Taleb and Foldvary, several spirited comments pertain to the omission of Taleb. The following remarks come from separate commentators: “The glaring omission of Nassim Nicholas Taleb from this list reflects poorly on your entire organization”; “I agree with Eric that omission of Taleb is very shocking”; “How can Taleb not be a nominee?”; “No one talked as clearly about the crisis beforehand as Nassim Taleb”; “I will second the great disappointment in the omission of Nassim Taleb”; “Too bad Taleb is not on the list”; “I really hope the editors pay some heed to this outpouring of outrage and modify this poll and include NN Taleb” (commentators at RWERB March 31, 2010; [link](#)).

Commentators at the “Voting is now open” blog-post complained also about the omission of, for example, Fred Harrison, Peter Schiff and Marc Faber, all of whom were repeatedly nominated ([link](#)).

In the comments of the “Voting is now open” post ([link](#)), Fred Foldvary on 1 April 2010 pointed out that his 1997 paper was not included, despite being nominated. He registered the same objection, also on 1 April 2010, at the post listing a time-line of papers ([link](#)). On April 13, he wrote, “I have not seen any explanation of why I have not been included in the short list, since my October 1997 article in *AJES* predicted the 2008 crash and presented a theory of the cycle that is consistent with economic history. And why has that paper not been included in the time line?” The only explanation offered was a comment by Lil’D: “You are probably not on the list because your papers read like those of a crank.”

In a subsequent comment (25 April), Foldvary wrote of an article by Steve Hanke published in *Globe Asia*, “The Great 18-year Real Estate Cycle.” Foldvary pointed out that Hanke wrote in his article: “This knowledge [of a real-estate cycle] has allowed for some prescient forecasts. The prize in that department goes to Prof. Fred Foldvary who wrote in 1997: ‘the next major bust, 18 years after the 1990 downturn, will be around 2008’” (Hanke 2010, 24).

A commentator then wrote, “OK everyone, don’t argue with Fred Foldvary.”

As stated at the RWERB website, “More than 2,500 people voted—most of whom were economists themselves from the 11,000 subscribers to the *real-world economics review*. With a maximum of three votes per voter, a total of 5,062 votes were cast” ([link](#)).

The winner was Steve Keen of the University of Western Sydney. The 2nd and 3rd place finishers were Nouriel Roubini (New York University) and Dean Baker (Center for Economic and Policy Research). Keen and Baker are central players at the Real-World Economics Review Blog. Links to their websites are included among the RWERB’s “Family Links.”

An analysis of the publications by the finalists would be beyond the scope of this paper, but an examination of the two RWERB “family” members who placed is warranted.

Keen’s 1995 paper—entitled “Finance and Economic Breakdown: Modeling Minsky’s ‘Financial Instability Hypothesis’” and published in the respected *Journal of Post-Keynesian Economics*—models Hyman Minsky’s “Financial Instability Hypothesis.” The basic idea is that investment and asset prices are based on fragile expectations, subject to change. Euphoric expectations result in a less risk aversion and rising asset prices. There is an expansion of credit and debt. Interest rates rise, but speculative yields exceed interest rates. Ponzi financiers use debt, expecting capital gains greater than debt service. Rising interest rates and asset prices reduce profits, and enterprises sell assets. The boom becomes a slump. The proposed remedies are to tax profits as they rise, and increase government spending as unemployment rises.

Keen certainly deserved to be a finalist, and his 1995 paper merits inclusion in the time-line, but did he forecast the 2008 crash? Keen's paper is quoted by RWERB, presumably to highlight its prescience:

There are, however, severe doubts as to whether the kind of government that has been constructed over the last thirty years is a sufficiently powerful or balanced stabilizer to capitalist investment behaviour.

From the perspective of economic theory and policy, this vision of a capitalist economy with finance requires us to go beyond that habit of mind that Keynes described so well, the excessive reliance on the (stable) recent past as a guide to the future. The chaotic dynamics explored in this paper *should warn us against accepting a period of relative tranquility in a capitalist economy as anything other than a lull before the storm.* [emphasis added] (Keen 1995, as quoted by RWERB May 13, 2010; [link](#))

This, apparently, is the closest that Keen came to predicting the 2008 crash. It is a long way from Foldvary's calling it on the nose more than a decade in advance of the event.

The work by Baker cited by RWERB is Baker's 2002 report "The Run-Up in Home Prices: Is It Real or Is It Another Bubble?," published by the Center for Economic Policy Research ([link](#)). Baker's report is quoted by RWERB, again presumably to highlight its prescience:

While the short-term effects of a housing bubble appear very beneficial—just as was the case with the stock bubble and the dollar bubble—the long-term effects from its eventual deflation can be extremely harmful, both to the economy as a whole, and to tens of millions of families that will see much of their equity disappear unexpectedly. The economy will lose an important source of demand as housing construction plummets and the wealth effect goes into reverse. This will slow an economy already reeling from the effects of the collapse of the stock bubble of 1999, ... Unfortunately, most of the nation's political and economic leadership remained oblivious to the dangers of the stock market and dollar bubbles until they began to deflate. This failure created the basis for the economic uncertainty the country currently faces ... [which] will be aggravated further by the deflation of the housing bubble. This process will prove even more painful if the housing bubble is allowed to expand still further before collapsing. (Baker 2002, as quoted by RWERB May 13, 2010; [link](#))

Again, we have a prize-winning work that is a long way from Foldvary's calling it on the nose more than a decade in advance of the event.

I would like to add that Foldvary's ideas are not the work of a lone seer. As noted, Hanke sees value in incorporating land and real-estate into cycle theory. Economists sensitive to the uniqueness of land have long followed these ideas and anticipated a crash. Consider a work by Fred Harrison also published in 1997. Harrison wrote: "The consequence is predictable. By 2007 Britain and most of the other industrially advanced economies will be in the throes of frenzied activity in the land market to equal what happened in 1988/9. Land prices will be near their 18-year peak, driven by an exponential growth rate, on the verge of the collapse that will presage the global depression of 2010" (Harrison 1997, 27).

My aims in writing the present paper can be summed up by the words that RWERB offered in explaining its aims in conducting the Revere Prize: "to give these economists the professional and public recognition that they deserve, to encourage others to utilize their methods, and—most important—to increase the likelihood that, for the benefit of humankind, empirically responsible economists will be listened to in the future" (RWERB March 31, 2010, [link](#)).

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