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# Politically Impossible . . . ?

AN ESSAY ON THE SUPPOSED ELECTORAL OBSTACLES  
IMPEDING THE TRANSLATION OF ECONOMIC ANALYSIS  
INTO POLICY

*or*

WHY POLITICIANS DO NOT TAKE ECONOMIC ADVICE

W. H. HUTT



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## Preface

FOR OVER a decade the Institute has conceived studies of subjects it considered had been overlooked, or on which there was an imbalance of research and writing, commissioned the best available economists to work on them, and published their work in lengths varying from short papers to full-length books. It has often been asked to show how the policies emerging from these economic analyses could be put into practice, and why some had seemed to influence thinking in business and government while others seem to have been ignored.

The reply is strictly threefold. First, there is, and should be, division of labour between the economist who analyses, the politician who judges, and the administrator who implements. Second, the economist is not equipped, and he has no authority, to judge which of his conclusions are 'politically practicable' (or 'administratively feasible'). Third, if he allowed himself to be influenced by such considerations he would risk pre-judging the relevance or efficacy of his prescriptions and, worse, avoid pursuing his analysis on lines that are considered, rightly or wrongly, 'politically impossible' (or 'administratively impracticable').

The Institute has therefore no intention of venturing beyond severe economic analysis into judgments on political acceptability or administrative feasibility. Its constitution as a charitable trust would in any case preclude it from such a close concern with public policy.

What is within the competence and relevance of economists is to consider why economic prescription is adopted in some circumstances and neglected in others, why economists are heeded or ignored, why economic advice is fruitful and why it is abortive. How important are the possibly wide range of influences that bear on the formation of policy: from ideas to financial interest, with expediency, fashion, even personalia and others between the extremes? The circumstances influencing or deciding the translation of analysis into action will be the object of a new series, named

after the best-known Institute Papers, the *Hobart Paperbacks*. The length will typically be between that of a *Paper* and a book, and the authors will be concerned, strictly as economists, with the interplay between ideas and policies.

The *Hobart Paperbacks* are intended to extend into political economy the economic analyses of the *Hobart Papers*. They will aim to maintain the authority, independence and lucidity for which the *Hobart Papers* have established a well-earned repute. Their authors are chosen for their optimum combination of these qualities. They will be asked to write unambiguously, not to avoid 'difficult' issues, and to be unremitting in pursuing their analyses and thinking to their conclusions.

The new series reflects two further tendencies in opinion among economists which have varied from period to period. The late Professor A C Pigou taught that the object of any inquiry 'may be either light or fruit, either knowledge for its own sake or of knowledge for the sake of good things to which it leads . . .

'In the sciences of human society be their appeal as bearers of light never so high, it is the promise of fruit and not of light that chiefly merits our regard.' The English classical economists were regarded as concerned not with 'economics' but with 'political economy'. They were interested in the politically decided legal and institutional framework of society as well as with the economic relationships conducted within it. Hence the concern of the old economists, from Adam Smith to John Stuart Mill and beyond, with the scope for individual activity in the national economy. In the last third of the 19th century, roughly from Stanley Jevons onwards, through Alfred Marshall and Edwin Cannan, economics was regarded as austere confined to economic relationships. A more recent school of economic thinking, originating amongst some young American economists, J M Buchanan, Gordon Tullock, Anthony Downs and others, has applied economic analysis to the operation of political institutions, studying politicians as entrepreneurs aiming to maximize returns in votes from their allocation of resources among competing electoral claims. The new political economy thus studies the economic system as a bi-cameral mechanism responding to the citizen as consumer in the market and as elector in the polling booth.

These are the broad spheres of study that the *Hobart Paperbacks*

will seek to illuminate and illustrate, in terms of their significance for the British economy in general, and also for government and industry in particular. The first *Hobart Paperback* is a discussion of the fundamental relationship between the evolution of economic ideas and their translation into policy. What makes some economic thinking 'politically possible' and other not?

This is the subject which Professor W H Hutt, a South African who spent most of his life teaching in Cape Town and now writes in the USA, discusses with examples from Britain, America and South Africa. Professor Hutt has often been right during the past 40 years on many fundamental issues: labour, money, economic planning and others. He is too modest to say that he has been belatedly acknowledged long after a piece of writing considered at the time to be unacceptably heterodox or unrealistic. His *Theory of Collective Bargaining* contained in 1930 truths about the power of trade unions too little acknowledged until recent years. His *Economists and the Public*, 1936, told truths long before their time. His *Plan for Reconstruction*, 1943, indicated a way of liberalizing a centrally-directed economy by easing out the interests that had become entrenched in it. His thinking on Keynesian thought in *The Theory of Idle Resources*, 1939, has recently been acclaimed by Professor Axel Leijonhufvud as a *locus classicus* on a central weakness in Keynesianism.<sup>1</sup>

Professor Hutt develops the original suggestion that, since economists should not think or act like politicians but should not preclude their judgment from being heeded by politicians, they should present their conclusions and advice in two stages. The former in its *undiluted form* should be the best that economics can teach, the latter in the 'second best' form *diluted* by political judgment. It could then be seen that the failure to act on economic advice is that of the politicians, who may sacrifice the best that economics can teach by misjudgment of what is 'politically possible'.

It may be that this assessment of an absorbing review of economic thinking, economists' advice and politics since the 1930s will also be regarded as coming long before its time. Whatever Professor Hutt writes is the work of an independent scholar, uninhibited by apprehensions about whether his opinion will be found palatable

<sup>1</sup> *Keynes and the Classics*, Occasional Paper 30, IEA, 1969.

or not. His new work should begin a new argument among economists on the form in which they should make their judgments to those who could profit from them. Whether he is heeded in the short run or the long run, his work will have been vindicated.

The Institute wishes to thank Professor G C Allen, Emeritus Professor of Political Economy, University of London, and Professor A A Shenfield, Visiting Professor of Economics, Rockford College, Illinois, for observations on an early draft that Professor Hutt has borne in mind in his final revisions. The constitution of the Institute requires it to dissociate its trustees, directors and advisers from the analyses and conclusions of its authors, but it offers Professor Hutt's essay as an original examination of the avoidable political frustration that often confounds the contribution economists can make to policy.

May 1971

EDITOR

## The Author

W H HUTT was born in London in 1899 and after First World War service in the RFC and RAF as a pilot (1917-19), studied at the London School of Economics, where he took the B Com degree. After four years in publishing, he joined the University of Cape Town in February 1928 as Senior Lecturer. In 1931 he was appointed Professor and Dean of the Faculty of Commerce, and later also Director of the Graduate School of Business, which he inaugurated. He was elected Professor Emeritus in 1965.

Visiting Professor of Economics, University of Virginia, 1966; subsequent appointments at Rockford College, Wabash College, Texas A and M University and the Hoover Institution on War, Revolution and Peace, Stanford University (as visiting Research Fellow). From September 1970 Distinguished Visiting Professor of Economics, California State College.

Professor Hutt has published numerous articles and several books, including *The Theory of Collective Bargaining* (1930, re-published in the USA 1954), *Economists and the Public* (1936), *The Theory of Idle Resources* (1939), *Plan for Reconstruction* (1943), *Keynesianism - Retrospect and Prospect* (1963), *The Economics of the Colour Bar* (1964).

## Author's Note

I RECENTLY told a leading American economist that I was writing an essay on the concept of 'the politically impossible'. He at once suggested a definition of the notion: 'All the reforms which would be really worth while undertaking.'

His reaction was not entirely facetious. It reflects, I think, a frustration felt by many. If wise changes are indeed ruled out by 'politics' it is a damning criticism of the contemporary working of democracy. The problem is one of the most serious confronting the inheritors of western civilization today. In this essay I try to reveal some of the roots of the 'impossibility' which we so often hear alleged.

My thinking on this subject has been directly influenced by Morley's classic, *On Compromise*, and two important articles by Professors Clarence Philbrook and Helmut Schoeck. Two recent works by Professor T W Hutchison have also greatly assisted me. I am grateful to Messrs Arthur Seldon and Ralph Harris of the IEA not only for criticism and ideas but for editorial assistance which has improved my exposition.

I have written this contribution while a Visiting Research Fellow at the Hoover Institution, Stanford University, and while occupying the post of Distinguished Visiting Professor of Economics at California State College at Hayward. I am indebted also to the Reim Foundation and the Principles of Freedom Committee for financial assistance and encouragement.

March 1971

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W H H

## I. Theory: The Dilemma

IF WE accept a popular definition of 'politics', namely, 'the art of the possible', the words 'politically impossible' seem to imply a rather absurd contradiction.<sup>1</sup> Nevertheless, when someone says, 'The ideas you advance are sound enough, but any attempt to give them practical content would fail hopelessly, for reasons of which all politicians are only too well aware,' we know roughly what is meant. The speaker implies that candidates for election, and the party organizations through which they work, will refuse to have anything to do with suggestions they feel are first not *currently* acceptable among their traditional or potential supporters, or, second, incapable of being put into an *easily* acceptable form.

The purpose of representative government is to ensure the rejection of policies of which 'the people' (or those enfranchised) disapprove. A plan may be 'politically impossible', simply because of its demerits, which voters are expected to recognize. But it is often said to be 'impossible' to enlighten electorates on policies which, it is implied, would be profoundly for their benefit. The notion then is that it would be absurd to make the attempt. It is with these circumstances that the present essay is to deal. A policy may be economically wise, sociologically beneficial, morally desirable, fiscally feasible and organizationally practicable yet supposedly be incapable of statement in an electorate-satisfying manner.

In examining the implications of a situation so imagined, I shall be more particularly concerned with the frequent form in which the concept of 'political impossibility' appears, as a reason for the rejection of the kinds of policies that economists are inclined to recommend. 'That may be *economically* practicable,' one is apt to be told, 'but it is *politically* out of the question.' At times, words like 'as things are' are added, to mitigate the apparent dogmatism. The problem arises when the economist steps out of his role of pure

theorist into that of an 'adviser' on policy. It is then that he is apt to be charged with 'lack of realism' if, in the words of Professor Clarence Philbrook, his recommendations are alleged to require 'for their fulfillment changes in things which must, for the purpose at hand, be treated as unchangeable.' Professor Philbrook continues: '. . . of course the economist, to give useful advice to society, must regard various things as in a significant sense beyond our power to alter.'<sup>2</sup> The crucial words here are, I think, 'for the purpose at hand'.

A policy may be 'politically impossible' because it is unconstitutional.<sup>3</sup> But the possibility may be affected also by the conditions of the franchise and electoral arrangements generally. There have been several studies of recent years in which attempts have been made to determine how constitutional restraints and voting procedures influence voters' choice.<sup>4</sup> This essay is only very indirectly relevant to these important studies. The reforms suggested may have more chance of success under some electoral arrangements than under others. The issue to be discussed here is the kind of proposal said to be 'impossible' because of the attitudes of voters, although otherwise it is regarded as good. I shall be questioning whether, under *any* sort of electoral procedures, a proposal which is ultimately for the benefit of 'the masses' can ever be held to be 'impossible' because they cannot be made to perceive their true interest.

The 'impossibility' of a suggested reform may be due primarily to its unacceptability among the people who finance a political party, allegedly the trade unions in Britain or 'big business' in the USA, rather than to its unpopularity with the electorate. In that event, it might be thought more likely to be popular with a rival party. But this possibility must not be given too much weight. As we shall see, *there are powerful forces today tending to cause opposed parties to adopt similar policies.*

All that can be said is that the *degree* of 'possibility' of proposals may vary according to the party in power or the party expected to support them. We may, for instance, assume that the Conservative Party and the Labour Party in Britain are sympathetic with and financed by different sectional interests, in return for openly-made or privately-made pledges. This link will obviously affect the kinds of policies likely to be suggested to them. A plan which might seem

out of the question under a Conservative Government might be deemed to be a 'possibility' under a Labour Government and vice versa. Sometimes sectional rather than party considerations are important and the chances of a proposal going through will be dependent chiefly upon the practicability of 'lobbying' or 'log-rolling'. In other circumstances legislative changes (whether or not 'in the public interest') which would otherwise appear 'politically impossible' may be put through via party coalitions.

A project may be held to be 'economically impossible' for political reasons. This will be the position when, although ostensibly welcome as part of a party's policy, it is incompatible with other objectives which are explicitly judged (by the economist adviser) to stand higher among the politicians' priorities. For instance, in my judgment, we may expect politicians today to accept in the same programme commitments

- (a) to 'fight inflation',
- (b) to work for 'full employment' and
- (c) to defend the untrammelled right to exert strike-threat power in wage-rate determination.

But having accepted all three they are likely to decide that (b) and (c) are more important objectives from the standpoint of vote retention or acquisition and hence we may expect ambitious or subservient economists to insist that (b) and (c) must be accorded 'a higher social priority', or words to that effect. Of course, as Professor T W Hutchison has said,

'pressures on the party political authorities are very great to avoid commitments to precise priorities involving a readiness to sacrifice some measure of one objective in return for more of another. . . . [Some] university economists, fearing perhaps a loss of influence with political patrons, seem to have fostered these utopian evasions, and to have followed the politicians in veiling in obscurities their marginal rates of substitution and estimates of the costs, in terms of other objectives, of a higher level of one particular objective.'<sup>5</sup>

The consequences have been 'rather disastrous', remarked Dr Graham Hallett in 1967.

'The Labour Government have employed more economists than any previous British government, yet few British governments

have produced in such a short time such contradictory and ill-considered economic policies . . . a mass of badly-drafted, inadequately thought-out provisions. . . .<sup>6</sup>

The proposals so scathingly condemned were welcomed by the Government because, as promises, they appeared likely to be highly popular. But, as consequences, they seem to have contributed to the unpopularity of the party which embraced them and to the downfall in 1970 of the Labour Government.

On occasion perseverance with policies may become 'politically impossible' because, having been tried, they have been found apparently defective. This has relevance to a point to be emphasized later – that electorates tend to judge parties and governments by short-term results, which are sometimes, but not always, indications of long-run consequences.

The reader may feel I am placing too much weight on electoral opinion. 'Surely,' I may be told, 'it would often be more realistic to envisage outmoded but inflexible institutions as the real barriers to reform.' At times the most appropriate first approximation would be to put things that way. But when human institutions constitute the obstacle to recommended policy, the problem becomes that of reforming the institutions, and it is at that point that the political difficulty or 'impossibility' of winning the voters' acquiescence is encountered.

*Economists, institutions and policy*

What may be held to be 'institutionally possible' projects (i.e. feasible even on the explicit assumption that existing institutions are taken as unchangeable) will differ over space and from age to age. At times, certain economists can be said to have been at fault in their political judgments through their failing to envisage realistically how widely different the social frameworks of, say, communities emerging from a tribal past are from those of the western world. Professor Hutchison alleges that some economists have shown 'possibly a dangerous disregard of political values and processes . . . in the assumption that what is politically and administratively feasible in England will also prove to be so in West Africa or South America.'<sup>7</sup> Similarly, some economists might claim that, under the conditions of the 19th century, it was

pragmatically wise to assume tacitly that the private use of coercive power in the form of the strike-threat was a fundamental democratic or human right. But if so, can they rightly make the same assumption for the latter part of the 20th century? Thus economists who were convinced that 'wage-push' was responsible for Britain's dilemma of depression or inflation in the 1930s (as it may be in 1971) yet failed to recommend steps to permit or force wage cuts, have been defended on the grounds that there was then no machinery in existence to bring about the required adjustments. But if the machinery was lacking at the time, their duty was to say so explicitly and to indicate the institutional changes needed.

This is one of the few issues on which I find myself differing from Professor Hutchison. Defending the attitude of Pigou in the 1920s and 1930s (below, pp. 57–8), he says that 'wage cuts and general wage policies were simply assumptions employed in highly abstract analysis, not a realistic policy possibility. There was then no machinery, and hardly any suggestion of machinery, for implementing general wage cuts.'<sup>8</sup> But I shall be suggesting that economists who perceived that wage cuts (especially market-selected<sup>9</sup> wage-cuts) could eliminate 'soul-destroying unemployment' and restore the wages flow ought to have indicated clearly the procedures or the machinery required, even if they added at the same time, as ordinary citizens with no more authority than anyone else, why they thought the electorate would reject the policy implied and why they thought it would be politically unwise therefore for any party to adopt it.

*The civil service barrier to reform*

A particular instance of an institutional barrier to the sort of reforms which many economists believe to be desirable is a civil service inflated through the adoption (beneficially or otherwise) of *dirigisme* and 'welfarism'. In the opinion of some economists, civil servants under contemporary conditions tend to have a built-in bias in favour of discretionary controls and against the co-ordination of the economic system through accountable entrepreneurial planning (i.e. under the social discipline of the loss-avoidance, profit-seeking sanctions). The prejudice in this case may indeed frequently be (unconsciously in the main) influenced by a sense of pecuniary interest: less government means fewer civil servants.

If that is true, it may be essential to allow for it in assessments of the vote-gathering function.

A quite different possibility is that of a 'conservative' bias in the civil service, particularly at the top, against the replacement of government by markets which may powerfully influence the acceptability of reform measures. As Dr Hallett has pointed out, this has been alleged in Britain. It is averred that senior civil servants have been 'as a result of their background and experience, conservatively inclined', while in the Treasury, particularly, they have exercised 'a powerful and rather sinister influence . . . giving the maintenance of Britain's position as an international banker priority over considerations of economic growth.'<sup>10</sup> But the bias of the younger civil servants in both Britain and the United States is more likely to reflect the current bias in the universities - strongly towards dirigisme. How serious an obstacle obstruction from this quarter could be to reforms in the spirit of 'classic liberalism' is not easy to assess.

Under representative government, then, electoral approval is the ultimate determinant of 'political possibility', and the major factor in this connection seems to be the sheer difficulty of communicating the true nature of a proposal - or a set of proposals, 'a platform' - to a sufficient number of voters. With better techniques or opportunities of communication, majorities might conceivably recognize the merits of a scheme which forms part of a programme. But, given existing techniques, inculcated ideologies and hardened stereotypes, they must be expected to reject it.

In imaginable cases, the main obstacle could be unscrupulous criticism expected from the candidate's opponents. The alleged 'impossibility' may be due to predicted opposition which will fail to deal with the issue on its merits but misrepresent both the objectives and the relevant facts. Certainly realistic fears of dishonest criticism have often seemed to be mainly responsible for the unwillingness of a party to espouse a good cause. Demagogic traditions can frustrate incentives for efforts at effective communication. The urge to strive for reform may be destroyed.

The psychological aspects of vote-winning, including the box of electioneering skills and tricks which have some resemblance to those of salesmanship in commercial marketing, are not the concern of this essay. But the possibilities of misrepresentation

seem to be far larger in politics than in business. Because of the importance of continuity of transactions, the businessman, as Adam Smith said, 'would rather choose to lose what he has a right to, than give any suspicion of sharp practice'.<sup>11</sup> Also, as Schumpeter remarked, 'in the ordinary run of often repeated decisions the individual is subject to the salutary and rationalising influence of favorable and unfavorable experience.'<sup>12</sup> This does not mean that a politician's reputation for honesty and promise-keeping (or that of his party) is unimportant. But it is incomparably less potent a force in electioneering than is a good reputation in the commercial sphere. Every candidate will know that his success or defeat may depend upon some distortion, misrepresentation, exaggeration or downright falsehood on his own or on his opponent's part.<sup>13</sup>

#### *Industrial and political marketing*

In the market place, entrepreneurs contemplating the launching of a wholly new product may feel that investment in the project will be justified only if they can plan for an expensive campaign to make it known to potential consumers and to break down the consumption inertias of consumers who would benefit from the innovation and continue to use it if they tried it. Such advertising initiatives are often accompanied by costly 'promotional' schemes, special 'introductory' prices, free samples and so forth. Although superficially considered as 'persuasive' rather than 'informative', these devices are, as Professor Gordon Tullock has pointed out, 'all efforts to get information through'.<sup>14</sup> Electoral propaganda for novel proposals is often of exactly the same nature. But a product which does not come up to the claims made for it will not be purchased, whereas policies for which politicians may have made possibly extravagant claims, once adopted, cannot be so easily discarded. Moreover, when it comes to political propaganda, it seems that there can be nothing similar to the controls which may be applied to commercial advertising to discourage or prevent false claims. The voters' remedy (such as it is) when they feel they have been let down, rests only in the next following ballot.<sup>15</sup>

#### *'Swing groups'*

A 'politically strong' group may not necessarily be such by weight of numbers or because it constitutes a majority. It may be a

11  
SWING GROUPS CW Hamer

'swing group', courted by all parties. That is, there may be one or more groups of electors in a constituency each of which tends to vote as a *bloc* – either spontaneously or in response to leadership. And if, on a given platform or policy, the most likely result is a more or less equal division of votes among the candidates, it will be felt disastrous to offend such a group and beneficially decisive to win their confidence. In the United States, for instance, there are 'swing groups' in many constituencies of labour unionists, welfare beneficiaries, Negroes, Puerto Ricans, Jews, Italians, Catholics or Mormons, which can sometimes command a very high price (in promises) for their votes. This factor is not, of course, so important in a nation as a whole because the groups are dominant in different constituencies. But a swing group like the Negroes in the United States can possess a formidable power in Federal politics.

*Referendum on individual policies*

Unless the voter's preferences are consulted through a referendum, he is not asked to support some specific isolated reform. He is offered one *platform* or another, or perhaps several platforms to choose among. But one unpopular item in an otherwise acceptable programme may lead to its rejection. Naturally a candidate will try to keep silent on unpopular intentions of his party, but his opponents may, if they are alert, be able to force a declaration of undeclared objectives. Some important political changes have been possible only because they have been hidden in, say, a Bill dealing ostensibly with other things. But where changes achieved by such a method have occurred, either the Opposition can hardly have been alert or else they must have concurred in a hoodwinking of the electorate.

A sort of private referendum which can indicate the general state of preferences and assist the formulation of acceptable policies is the sample survey. The enquiries conducted by market researchers and opinion pollsters for the Institute of Economic Affairs in Britain in 1963, 1965 and 1970 to discover what people think about different forms of welfare services at alternative prices is an example of the sort of initiative which can and certainly ought to influence what is deemed to be 'politically possible'.<sup>16</sup>

*'Unrealistic' economists, 'idealistic' politicians*

Economists who make proposals which, superficially considered, appear unlikely to be taken up by any of the parties are sometimes

subjected to gentle ridicule. And politicians who cling to alleged 'lost causes' or who press for reforms which cannot be turned into vote-winning issues are apt to suffer similar disparagement. Yet it is never absurd to attempt the difficult. What is foolish is to fail to assess the costs of the difficult in relation to the value and prospects of success. This precept is relevant even when the difficulty is due mainly to the fear that voting conduct is likely to be influenced by deception practised by rivals about the issues at stake.<sup>17</sup>

Unfortunately, the more serious falsehoods are often in the form of half-truths difficult to unmask for what they are, or innuendoes to challenge which may aggravate the harm intended. The effective exposure of a falsehood, when possible, can nevertheless be very damaging to the guilty party.

*The costs of communication/information*

Are there, then, truly *any* circumstances in which the exposure of political falsehoods is utterly impossible in the sense of being *impossibly costly*? And is it *ever* beyond the conceivable or the practicable to persuade an electorate to vote for a policy which would be in their interests?

Where effective communication with voters on a programme or an item in it is extremely costly, the risks of investment in a campaign to put it over may be formidable. A candidate who takes on such a campaign – perhaps investing his political future in it – is often described as 'politically courageous'. But his courage is similar to that of the wise risk-taker in business. He may be sensibly enterprising, and when he is successful his yield (which may not be pecuniary) may be enormous.

The politicians' judgment about the unpopularity of policies is, as Professor Schoeck has indicated, 'extremely susceptible to manipulation by opinion-makers: for instance, *columnists*'. The pundits do not warn presidents and prime ministers to fear this or that; they simply write five columns about a new "political impossibility".<sup>18</sup> Skilfully slanted questions in public opinion surveys may also assist in distorting the judgment of party advisers and candidates, although such surveys can, as I have said, play a positive role in disclosing the 'politically possible', especially if based on a knowledge of the costs of alternative policies. For the spokesmen of sectional interests to assert and stress that a proposal

they dislike will lose an enormous number of votes to candidates who support it may be their most effective method of attack. Hence the origins of any 'political impossibility' may sometimes be traceable simply to its polemical asseveration. Thus, Professor Schoeck thinks that politicians in the United States 'have been made to believe', and talk and act 'as if 80 per cent of all voters hate big business and love strong labor unions',<sup>19</sup> although the truth is (he thinks) the reverse. Perhaps, he feels, it may all be 'just cultivated political timidity'.<sup>20</sup>

In their presentation of the opinion surveys referred to above, Harris and Seldon have argued with cogency that politicians of all parties in Britain have been misled by defective opinion polling into believing that 80 to 90 per cent of the British public approve of the welfare state and would not countenance private welfare services for which they paid in the market. This misconstruction has crystallized, they hold, through journalistic polemics and semi-scholarly writings in *The New Statesman*, *New Society*, *The Guardian* and *The Observer*. They maintain that the surveys conducted for the IEA show increasing preferences for welfare through the market. But their work and its inferences have been bitterly attacked in the journals, on broadcasting and elsewhere.

#### *Political 'brands'*

Some polemics seem to be aimed at the politicians rather than at the electorate directly. The object is more to influence opinion in the party hierarchies about what is electorally acceptable than to influence opinion among the voters themselves.

Often, a negligible proportion of the voters can be expected properly to understand very much about the issues. Hence real electoral choice must, perhaps, more frequently be between candidates whom voters regard as likely to be wise or honest and those whose wisdom or integrity they doubt. A party name may acquire a 'goodwill' similar to that which attaches to a trade mark or brand name. There are indeed many voters whose loyalty to the party name, no matter how much its policies may change, seems to be the only determinant of how they will vote. This phenomenon would probably prove to be very weak, however, if it were not for vote-buying pressures (p. 13) tending to force opposed political parties towards virtually identical programmes. 'Butskellism' and even

16. 12. choice,  
How - great,

'MacWilsonism' have in Britain denoted the converging policies of the Conservative R A Butler and the Labour Gaitskell, of the Conservative Macmillan and the Labour Wilson. An American will vote Democrat because his father did and with all the enthusiasm he shows supporting his baseball team, but that is only because there is so little to choose between the parties. Republican eloquence and the content of the Republican platform are insufficient to create party disloyalty.

Electorates in practice rely heavily on the whole record of candidates and careful judgment of their character, taking on authority assurances about the soundness of policies advocated by candidates in whom they have faith. But candidates and their campaign managers are as expert in building up a spuriously favourable image as they are in stating the issues in a spuriously convincing manner. Fortunately, there is usually considerable healthy scepticism among voters. Voters tend to judge candidates and parties as union members judge their elected officials - by results, but by short-term results,<sup>21</sup> a point of central importance to which we return (pp. 12-13).

#### *Good government and largesse*

Politics, as Professor Tullock has put it, turn largely, although 'not entirely . . . on efforts to change preferences',<sup>22</sup> the preferences of voters. Such preferences may concern ends themselves or means to ends. The problems emerge principally in efforts to influence the voters' choice of means to ends; for in one sense the ends are mostly objectives which are almost universally accepted as (or admitted to be) 'good'. Thus, we all want to see (or claim that we do) 'equality of opportunity'; and we all claim we want to see 'justice' in the distribution of income between classes, races, the sexes, religious groups and the like (although we may not always agree about what is meant by 'justice'). We all want to see (or claim that we do) arrangements under which insecurity can be minimized for the individual who, in a changing world, wishes to avoid risks; and we all want government to carry out such functions as are needed for the co-ordination of free activities and cannot be provided efficiently through the market. We *all* want (or claim to want) peace.

All these achievements are those of 'good government'. But

voters and groups of voters also seek ends directly through the electoral process. They try to maximize their individual well-being or income by electing candidates who promise not just 'good government' but *largesse*.<sup>23</sup> Now when nearly all are encouraged to seek to line their own nest through their use of voting power, we may get the phenomenon of nearly everybody trying to exploit everybody else via the state; or we may find the politically powerful being urged to exploit the politically weak. It is a process in which there are virtually no gainers but many losers; for (through reactions on thrift, on the allocation of resources, and on the magnitude and composition of the stock of assets) the people as a whole are disadvantaged. When all are incited, through the medium of elections, to try to grab as much as possible for themselves, society – the general interest – is damaged in two ways: not only is the resulting distribution arbitrary but the amount to be distributed shrinks. The ultimate question to answer is whether it is 'politically possible' to bring this truth home to electorates.

#### *Conflict between short and long run*

The most common or general difficulty is that what may be to the short-run advantage of electors is at times contrary to their long-run interest. Yet many voters – and not only those in the lowest income-groups – seem to be relatively little concerned about the long-run consequences. Nearly all citizens who try to assess a candidate's promises are more aware of their immediate interests (collective as well as individual) than of what is for their long-run benefit. This enhances the difficulty of effective communication when the ultimate advantage of the community is the chief policy objective. If the chance of 'pecuniary profit' is offered to electors in return for votes, remarked Schumpeter, 'experience that goes back to antiquity shows that by and large voters react promptly and rationally to any such chance'. But only 'short-term rationality asserts itself effectively'; hence 'it is only the short-run promise that tells politically'. Voters tend to be 'bad and corrupt judges of their own long-run interests'.<sup>24</sup>

Some readers may think therefore that the 'difficulty' of communication of a proposal may amount to an 'impossibility' whenever a candidate's opponent promises an alternative which offers immediate material rewards to his constituents, at taxpayers'

expense. This was what the Liberal Lloyd George notoriously did, for example, when he was launching the 'welfare state' in Britain in 1909–10, offering the lower-middle and artisan classes 'ninepence for fourpence'. It was what the British Conservatives have been doing for years. It was what the Socialist Mr R H S Crossman was doing in his 1969 proposal for graduated pensions in which the benefits would be loaded in favour of the smaller contributors.<sup>25</sup> Because it may seem to be so easy to win the support of the intended beneficiaries by such tactics, any opponent will (almost of necessity, it may be thought) find himself forced to compete with similar promises.

Whenever prudence is a main issue a candidate may feel (wisely or unwisely) that it is impossible to take the lead and effectively stress the nemesis of profligacy. And mainly because collective prudence (or the reverse) is today a dominating issue in the 'democracies' (although seldom recognized as such) it seems as though there is an extraordinarily powerful tendency for great political parties (like the Conservative and Labour in Britain and the Republican and Democrat in the United States) to commit themselves to virtually identical programmes. The party organizations then have meaning only as machinery through which groups of politicians struggle against one another for office.

In such circumstances, leadership in opinion-making will, it might appear, have to be exercised from outside the vote-gathering process. According to this view, education of the public on important matters can hardly be entrusted to competing politicians. Society must rely upon independent opinion-makers who do not themselves seek election – agencies such as the press, television, the radio, the pulpit, the *litterati* generally, the universities and school teachers.<sup>26</sup> The politicians' task must be to arouse the will to vote – for causes which they are able to embrace at times only because others (outside politics) have prepared the ground by information and informed debate.

#### *Independent opinion formers*

Those who think this way would not deny that a zealous, eloquent and tenacious political campaigner might win over a constituency for a line of action which others believed could never be presented in a sufficiently favourable light; but they cannot imagine candi-

dates generally being able to take initially unpopular stands. If such 'realists' are right in their judgment, it follows that 'politically impossible' yet otherwise good and practicable policies are those for which electorates have not yet been conditioned by opinion-forming agencies independent of the vote-winning process. What appears to be needed is, in the late Richard Weaver's words, '... a group sufficiently indifferent to success to oppose the ruling group on principle rather than according to opportunity for success.'<sup>27</sup> Sometimes an individual politician will take a stand for the common good which conflicts with the party policy. He becomes thereby an 'opinion-former', but in so doing usually relinquishes prospects of early promotion in the party hierarchy and may face expulsion from his party.<sup>28</sup>

Most opinion-forming agencies do not, however, appear to fall into the class envisaged as 'independent' because they are not really unrelated to vote-procurement activities. They have tended to become part of the party apparatus itself. Editors, columnists, television and radio producers or commentators and the like may through affiliation, loyalty, contract, hope of reward, or other reasons often form a portion of the party machinery. With them, as with candidates, the immediately unpopular will tend to be anathema. The educative influences for which the public-spirited statesman must hope may have to be exercised through agencies of which the personnel are *persuadable*, i.e. subject to influence by reasoned argument and unperturbed by immediate unpopularity.

About the mass media it is impossible to be very optimistic. In 1874, Lord Morley had referred with forebodings to the consequences upon independent opinion of

1874  
 'the multiplication of journals "delivering brawling judgements unashamed on all things all day long" . . . For a newspaper must live, and to live it must please, and its conductors suppose, perhaps not altogether rightly, that it can please only by being very cheerful towards prejudices, very chilly to general theories, disdainful to the men of a principle. One cry to an advocate of improvement is some sagacious silliness about *recognising the limits of the practicable in politics*, and seeing the necessity of adapting theories to facts.'<sup>29</sup> (My italics.)

But many of the great newspapers of today are edited with a high

sense of public responsibility, and not only journals with whose general outlook I tend to concur. Most of them (in the western world) have been gravely misled on the great economic issues of today, as have the intelligentsia generally. Yet while the independent student of society must often deplore the cant of newspaper moralizing, he is aware at other times of sincere and profound ethical purpose. If the independent economists could communicate effectively with the editors – and this can be done, I shall maintain, only by a practice of *stating relevant political assumptions with the utmost explicitness* – the mass media might become the prime inspirers of reform.

The feeling that non-party opinion-makers can alone be relied upon to put forward unpalatable truths is fed by the recognition that it is virtually impossible to become a candidate in any party if one's convictions run counter to the interests of major pressure groups, such as organized labour, agriculture and the professions. A man asked to run for Congress under the Democratic Party was interviewed by a Democratic Governor and officials and asked what he thought about farm price supports. He was told, 'You have given us the wrong answer.' He replied, 'I am not going to change my views just to run for office.'<sup>30</sup> They found someone else, either someone who had the 'right views' or who was prepared to adopt them as part of the necessary compromise which politics demands.

\* *University economists*

Among the 'independent agencies' the universities are included, and under this heading we are concerned particularly with academic economists, whose task should be to communicate with their non-economist academic colleagues, with the intelligentsia generally and, as far as possible, with the general public. On the political acceptability of economic measures, their role in opinion-making ought obviously to be paramount. But economists have never yet been able to communicate directly and effectively with the mass of voters. Effective communication, even with the more intelligent and critical among non-economist opinion-makers, is hardly less difficult.

'The ordinary citizen's lack of judgement in matters of domestic and foreign policy . . .,' said Schumpeter, 'is if anything more

shocking in the case of educated people . . . than it is with uneducated people in humble stations. . . . The typical citizen drops down to a lower level of mental performance as soon as he enters the political field.' There is no mitigation, Schumpeter added, when the typical citizen 'gives in to a burst of generous indignation. This will make it still more difficult for him to see things in their correct proportions or even to see more than one aspect of one thing at a time.'<sup>31</sup>

Nevertheless it is the *intelligentsia* which has to be reached. Unfortunately, intellectuals are not receiving the lead which the economists ought to be giving them. This is partly because many academic economists ought to be thought of as exercising their influence within the party fold rather than as independent critics of the economic aspects of party policies. This is discernible not only in conversation and in their lectures but even in their textbooks. Most university teachers of economics obviously favour one or other of the parties even when they are not party members. *Rivalry* for influence with a party seems to create diversity of recommendations. 'Almost every possible course of action seems to be advocated by some economist or other,' says Dr Hallett.<sup>32</sup> Yet if economists are, party bias apart, disinterested, such influence as they exert works more or less in the same direction in most cases. What chiefly prevents more unanimity, and thereby the authority that attaches to expert and informed opinion, is the varying degrees in which the economists' recommendations have tacitly allowed vote-acquisition considerations to influence their suggestions.

University textbooks of economics abound in tendentious passages expressed in the jargon of economic science: and the origin of these passages can be discerned in their authors' judgment of acceptability with their favoured party. If my diagnosis is correct, we have here a partial explanation of the phenomenon to which Dr Hallett refers and hence the reason for the 'political impossibility' of many a reform which could have served the people of the western democracies with enormous beneficence.

Not all academic economists can be assumed to be disinterested. I argued 35 years ago that the economist's 'only way to permanent influence is to take a line which will be consistently acceptable to some powerful group or else to pander to the established convictions and conventional beliefs of society at large'.<sup>33</sup> Whether or not

they have been aware of their motives, some 'realists' appear to have deliberately concocted justifications for the politically attractive. I referred above to the tendency for political platforms to contain incompatible objectives. But there are *economists* who seem to have gone out of their way to encourage opinion-makers to believe that incompatible ends *are* achievable, and who have indeed won thereby academic and other forms of prestige. Professor Hutchison refers to some recent apparent examples;<sup>34</sup> the reader will find references to additional seeming instances below.

It is of course beyond question that the economists' influence on the whole range of opinion-formers will be strongest if they can establish firstly their competence as experts *and* secondly their disinterestedness. With these two attributes they will be able to win authority, that is, faith in their knowledge and faith in their judgment. 'Authority' in this meaning tends to be acquired when apparent expertness is indicated by some measure of unanimity among those who claim to be experts. But the required agreement among academic economists has been largely destroyed, for the reasons indicated.

#### *'Operational' economics*

An important example is the tendency during the last three decades for economists to think it expedient, or their duty, to limit their recommendations to 'operational' policies. 'Operational' usually turns out to mean 'usable in the vote-acquisition process'. The economists who have continued to be openly interested in what could be achieved, if electorates were accurately informed, have been a minority.

#### *The economists' error*

As I tried to show in 1936,<sup>35</sup> the economists' desire to be influential has paradoxically tended to destroy their collective influence. Their endeavours to be effectual have led many, consciously or unconsciously, to swim with the political tide, and have obscured thereby what could have been a basic and impressive consensus. That economists who gain influence win prestige must also be borne in mind. Economists' reputations are achieved on the whole, says Professor Philbrook, by the measure in which their work 'discernibly influences practical affairs'. This leads to competition

among them 'for reputation as "realists"'; and to 'a widespread practice of co-operation with "things as they are", without explicit criticism of them.' For the economist 'the least demonstrably ineffectual is he who advises others to do what he knows they will do without his advice.'<sup>36</sup>

Part V will consider the degeneration of economics since Keynes, manifested in the failure of the bulk of contemporary economists to explain rigorously how full employment (and a closer approach to optimal employment)<sup>37</sup> is achievable without inflation, by permitting the co-ordinative mechanism of relative cost and price adjustments to maximize the wages and income flow. And the economists' failure to emphasize this issue is, in turn, due to their groping for politically acceptable advice or their almost instinctive desire to avoid the apparent impossibility. Had the convention I am suggesting below (in Part II) been followed, however, they could have put forward identical proposals for immediate adoption, but with categorical explanations of the vote-procurement realities which prevent better solutions from standing a chance of being accepted.

No harm would have been done to the prestige of economists as experts if those who restricted their proposals to 'operational' or palatable plans had, in this way, made their political assumptions crystal clear and explicit. Unfortunately it appears as though the economists whose proposals have been most strongly influenced by their assessment of political expediency have hardly been aware of the influence. There would have been no point, they have seemingly felt, in confusing the issue by even mentioning possible policies which everybody would know were ruled out by 'practical politics'. Otherwise, they have simply inhibited concern with what could conceivably have been practicable policy if effective communication with electorates had been assumable.

#### *The growth of 'macro-economics'*

The consequences, most vividly illustrated in the Keynesian era in the history of economic thought, have been insidious. A new branch of economics has become specialized - 'macro-economics', in which, through the concepts employed, the most pertinent issues are diverted from the students' attention. In presenting economic problems in terms of great aggregates, economists have, unwittingly,

drawn a veil over the co-ordinative role of the pricing system. 'Prices have work to do,' said the late Benjamin Anderson.<sup>38</sup> Students introduced to economics via 'macro' studies - and that often happens today<sup>39</sup> - may hardly recognize the importance of Anderson's simple sentence. They may be left quite blind to the vital function of relative price changes. They may never perceive that, under freedom of preference concerning ends and freedom of judgment concerning means to ends, a changing, dynamic society can enjoy stability precisely by reason of price flexibility. If they lack this perception, how can their attention then be directed to the relevance of an appropriate framework of law and appropriate regulatory governmental functions within that framework to ensure the flexibility required? Because what is called 'macro-economics' needs continuous validation by 'micro', the separation ought never to have happened. The field of academic economics has been cut unnecessarily into two.

This general censure of 'macro' must, of course, not be taken as disparagement of all contributions under that name. The powerful but deplorable force of mere academic fashion has made it essential for some of the best economists to contribute to 'macro' economics. But I do not wish to tone down my strictures on the separation of 'macro' from 'micro'; and I would emphasize the conclusion that it has all happened owing to the wish (often sub-conscious, perhaps) of many economists 'to co-operate with things as they are', to repeat Professor Philbrook's phrase. This essay may throw some light on the soundness of this judgment.

#### FOOTNOTES TO PART I

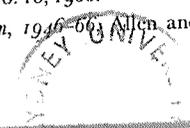
<sup>1</sup> Professor Helmut Schoeck has pointed to the contradiction in his article, 'What is Meant by "Politically Impossible?"', *Pall Mall Quarterly*, 1958, p. 48.

<sup>2</sup> C Philbrook, "'Realism' in Policy Espousal", *American Economic Review*, 1953, p. 846.

<sup>3</sup> Such a situation could reflect a deliberate restraint imposed by wise men of former times, distrustful of the small groups of private men who form governments, in an endeavour to entrench the rights of people against rulers (legislators and executives).

<sup>4</sup> By Professors J M Buchanan, Gordon Tullock, and others; discussed in T W Hutchison, *Markets and the Franchise*, IEA Occasional Paper No. 10, 1966.

<sup>5</sup> T W Hutchison, *Economics and Economic Policy in Britain, 1946-60*, Allen and Unwin, 1968, pp. 263-4.



<sup>6</sup> G Hallett, 'The Role of Economists as Government Advisers', *Westminster Bank Review*, May 1967, pp. 2-3. Dr Hallett is referring to the Selective Employment Tax, the Corporation Tax, the Capital Gains Tax and the Prices and Incomes Act.

<sup>7</sup> Hutchison, *op. cit.*, p. 274.

<sup>8</sup> *Ibid.*, p. 294.

<sup>9</sup> 'Market-selected' wage-rate and price adjustments, as distinct from adjustments imposed through 'incomes policies', are changes due to business entrepreneurs, striving to avoid losses, being forced to offer wage-rates (and bid prices for other 'inputs'), and ask prices for outputs, which will permit the preservation or restoration of full employment for assets and people in the activities they direct. In the economy as a whole, such a system of price-determination creates incentives for the use (including the re-allocation) of resources (assets and people) in such a manner as to maximize the community's real income (often called, today, 'aggregate demand').

<sup>10</sup> Hallett, *op. cit.*, Dr Hallett presents this opinion from Samuel Brittan's *The Treasury under the Tories, 1951-64*, Penguin Books, 1964.

Mr Brittan is the author of Hobart Paperback No. 2, *Government and Market Economy*, 1971.

<sup>11</sup> Adam Smith, *Lectures*, ed. E Cannan, OUP, 1898, p. 225. See also pp. 253-4.

<sup>12</sup> J A Schumpeter, *Capitalism, Socialism and Democracy*, 1942, 3rd Edn, p. 258.

<sup>13</sup> The worst example of which I know was the 'Chinese slavery' lie, which, believed by many righteous people, may have resulted in the Liberal Party victory in Britain in 1906.

<sup>14</sup> G Tullock, *Towards a Mathematics of Politics*, pp. 13-15. On the distinction between 'persuasive' and 'informative' propaganda and advertising, and on the similarities of such initiatives in political and commercial activities, see Harris and Seldon, *Advertising and the Public*, IEA, 1962.

<sup>15</sup> Misrepresentation of an opponent's policy and dishonest promises about a candidate's intentions (or those of his party) may of course be less harmful than some truthfully meant promises for the advantage of the politically powerful but at the expense of the politically weak.

<sup>16</sup> Research Report, *Choice in Welfare, 1970*, devised by Harris and Seldon, field work by England, Grosse & Associates, IEA, 1971.

<sup>17</sup> Nevertheless it remains the duty of would-be legislators to try to find methods of communicating effectively with those for whom they wish to legislate. This means *inter alia* anticipating and exposing misrepresentations (of intentions and of fact) of which their opponents are thought likely to be guilty.

<sup>18</sup> Schoeck, *op. cit.*, p. 49.

<sup>19</sup> *Ibid.*, p. 49.

<sup>20</sup> *Ibid.*, p. 53.

<sup>21</sup> This was Schumpeter's judgment.

<sup>22</sup> Tullock, *op. cit.*, p. 2.

<sup>23</sup> T W Hutchison, *Markets and the Franchise*, IEA, 1966.

<sup>24</sup> Schumpeter, *op. cit.*, pp. 260-1.

<sup>25</sup> It is sobering to note that Mr Crossman's scheme was denounced as a 'swindle' by a previous, Conservative, Minister of Pensions, whose own pension scheme was denounced as a 'swindle' by Mr Crossman.

<sup>26</sup> The fact that such agencies are not currently performing this function with any kind of objectivity is discussed on the following page.

<sup>27</sup> R Weaver, *The Ethics of Politics*, quoted in A C Brownfield, 'The Irrelevance of American Politics', *Yale Review*, Autumn 1970, p. 4.

<sup>28</sup> This possibility is less important in the United States than it is in Britain.

<sup>29</sup> Lord (Viscount John) Morley, *On Compromise*, 1874, Thinker's Library Edn, Watts, p. 16.

<sup>30</sup> R S Morrison, *The Contax Plan*, published privately, 1970, p. 87.

<sup>31</sup> Schumpeter, *op. cit.*, p. 262. While Schumpeter believed that genuine instances of such 'generous indignation' existed, he thought that this phenomenon was seldom spontaneous and 'in many instances . . . induced by the action of some (special interest) group' (p. 262, footnote).

<sup>32</sup> Hallett, *op. cit.*, p. 10.

<sup>33</sup> W H Hutt, *Economists and the Public*, 1936, p. 38.

<sup>34</sup> Hutchison, *Economics and Economic Policy in Britain*, *op. cit.*, pp. 265 *et seq.*

<sup>35</sup> Hutt, *op. cit.*, especially Chapter I; the whole book deals with the issue.

<sup>36</sup> C Philbrook, *op. cit.*, p. 847.

<sup>37</sup> 'Optimal' as distinct from 'full' employment of labour is achieved when the largest possible proportion of workers is permitted to be trained for and employed in the higher-paid and more productive kinds of work so that the smallest possible proportion is left available for the lower-paid and less productive kinds of work.

<sup>38</sup> [It is of particular significance that this is the concluding thought in Mr Brittan's study of recent economic policies - Ed.]

<sup>39</sup> A notable exception is A A Alchian and W R Allen's *University Economics*, Wadsworth Publishing Co., Belmont, California, 1964, 2nd Edition 1967.