

reviewed by SUDHA R. SHENOY

## The Influence of Politics on Economic Analysis

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**Politically Impossible. . . ?**, by W. H. Hutt.  
London: Institute of Economic Affairs,  
1971. Pp. 100. \$3.75.

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PROF. W. H. Hutt is one of the few economists to have consistently followed an independent course, a course which has led him to challenge received opinion on such major issues as the effects of trade unionism on the flow of real wages; the theoretical validity of Keynesianism; and the potential of market forces in removing the color bar. Now, in the first of a new series of Hobart Paperbacks, launched by the Institute of Economic Affairs, he returns to the attack on established views. His main theme is that economists too often are reluctant to pursue their analyses to their logical conclusions, where these conclusions may be politically unpalatable. He illustrates his argument with examples from the discussion of international monetary policy, income-transfers via the political process, the presentation of Keynesian doctrine, and the use of strike-threat by trade unions. In each of these instances, he says, economists have failed to make explicit the considerations of the politically possible that entered into their analysis and recommendations. This inhibition, in turn, has two effects: firstly, the "second-best" nature of the analysis and recommendations is obscured. Sec-

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ondly, alternative, economically-sound policies are excluded from the discussion and the *political* grounds for this exclusion are not made clear. The overall impression is that economists appear to speak with two voices.

Thus in making a case for floating exchange rates, economists have not pointed out explicitly that floating rates are, in the main, a device to overcome the balance of payments problems created by domestic inflation—itself a device to circumvent the discoordination of union wage-fixing. In discussing a negative income tax, economists have failed to give due weight to the scope it offers politicians for vote-buying—or, indeed, the extent to which the whole income-transfer process may be utilized for this purpose. Proponents of Keynes' doctrine have not brought out the full inflationary implications of his theories, or how far their development was influenced by a desire *not* to implicate trade union policies in an analysis of continued depression in the Britain of the 1930's. And, virtually all economists, from the classics down to the modern Keynesians, have refrained from spelling out the grave dilemmas created for policy by the economic power the unions have been allowed to acquire.

Professor Hutt recommends that economists should present their analysis in two stages: firstly, developing their arguments on the basis of purely economic considerations, and secondly, a modified into "second best" proposals for policy by the insertion of considerations of political expediency. By thus bringing hidden political constraints out into the open, economists will be in a position to educate public opinion, so that "political" obstacles to the acceptance and implementation of sound poli-

cies are gradually eliminated.

For those who accept Professor Hutt's assumptions, this booklet adds up to a cogent and well-reasoned plea for the stringent separation of positive and normative analysis by the explication of political assessments. Professor Hutt, however, has not perhaps laid adequate stress on the degree to which seemingly "political" differences among economists reflect serious underlying conceptual differences. Whatever the non-economic influences that might have led Keynes to develop his theories, the latter do comprise at least the basis for a framework which varies significantly from the Cambridge doctrines with which he was most familiar; and

these two theoretical approaches in turn differ radically from that elaborated by the Austrians, culminated in the works of Professor Hayek. These analytical differences logically extend to the content of policies recommended as appropriate to the achievement of given results as well as to the assessment of the effects to be expected from the implementation of alternative policies. At a more fundamental level, economists are not even agreed as to the possibility of a "value-free" economic science—witness the opposed views of Myrdal and Mises. But such continued and basic disagreements may be ineradicable from the social sciences, where the object of study is human action.

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