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Political Economy: New, Old and Ancient

I. Introduction

THE purpose of this essay is to characterize broadly the most important relationships which exist between politics and economics. In an age when political economy is often invoked as an alternative to a more narrow economics, it is important to know what this term might mean and the essentially different conceptions which have been held of the relationship of politics and economics.

I propose to distinguish three main conceptions of the scope of political economy. First of all is a conception based on the fact-value distinction combined with an assumption of methodological individualism which I shall refer to as the new political economy. The old political economy referred to in the title of the essay will be roughly the conception of the classical economists from Adam Smith to John Stuart Mill. The ancient conception will refer to the tradition of political philosophy started by Plato and Aristotle; the term was chosen because of its overtones of the strife between the ancients and the moderns, a battle which was fought in the social sciences as well as in literature and the arts.

The widespread acceptance of the fact-value distinction has resulted in the almost total incapacity of modern economic practitioners, including here my category of new political economists, to even conceive, much less take seriously, the other two alternative conceptions of political economy which I wish to sketch. These conceptions are frankly moralistic. They conceive the good to be the proper formation of character to which all social institutions are ultimately subordinate. Classical liberal

economics and classical political philosophy are both alike in disregarding the fact-value distinction, and in establishing the criterion of virtue or the proper development of man's character as the final end of the social sciences. They differ in their specific understandings of the good man.

Somewhat more tenuously I wish to develop these three strands into a composite and intelligible whole which can serve as the basis for a Tory interpretation of history. I propose to do this by examining some curious parallels between the changes in the concept of the scope of political economy, Plato's description of the various stages of political degeneration, and the decay of European civilization.

Before proceeding to a discussion of these three types of political economy, it will be helpful to characterize briefly the more narrow concept of economics which does not conceive of itself as being political.

II. Non-political Economics

THE acceptance of the fact-value distinction and the restriction of the social scientist's activities qua social scientist to questions of fact is certainly the majority position in the social sciences today. It is so predominant that it is the bread-and-butter working assumption of almost all professors and textbooks in economics. The fact-

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value distinction is not merely a salutary warning to keep your hopes and dreams separate from your perception of the world around you, an antidote to wild enthusiasts, but at its core is a metaphysical doctrine about the status of values. Values *per se* have no ontological referent. They are arbitrary and therefore non-discussable. For anyone interested in economic policy, therefore, the ends must be posited.

To understand the new political economy it is necessary to comprehend both the ways in which it agrees with the fundamental trends of the social sciences in our day and in those which it disagrees. As hinted at in the introduction, the fundamental point of agreement is in the acceptance of the fact-value distinction and the necessity therefore of posited ends. The main disagreement arises on the question of *whose* ends and by what method they are to be handled.

The initial response of the neo-classical economics was to declare the wants of the consumers as the highest good. Whatever Lola wants, Lola gets. It must be admitted, however, that Lola was a fairly modest girl with rather utilitarian and sensible appetites. R. D. C. Black has accurately characterized the basic approach of the neo-classical economists:

*The basic question which the neo-classical economists asked was—"given an economy with a certain population having given tastes, and certain resources and techniques, how can these resources be allocated through a market system so as to maximize the satisfaction of consumers?"*¹

We will come back to the given tastes later but now let us look more closely at the maximum satisfaction component. It would appear that both utility and the techniques of marginalism are important. The Hobbesian dream of a science of man was just about to be completed with utility

as the ultimate unanalyzable source of motion. The scientific dream of a Newtonian social science with self-interest as gravity was now to be completed. Frank Knight has described how important the maximization techniques were:

*The utility theory should be seen as the culmination, historically and logically, of the rationalistic and individualistic intellectual movement of which the competitive economic system itself is one aspect and modern science and technology are others. To its admirers it comes near to being the fulfilment of the eighteenth-century craving for a principle which would do for human conduct and society what Newton's mechanics had done for the solar system. It introduces simplicity and order, even to the extent of making it possible to state the problems in the forms of mathematical functions dealt with by the methods of infinitesimal calculus. Moreover, in harmony with eighteenth-century cravings, it claims to furnish a guide for social policy; it can be harnessed to the very practical purposes of proving that if only the state will limit itself to the negative function of defense against violence and predation and leave men free to pursue their own interests, individual self-seeking directed by market competition will bring about a simultaneous maximum of want-satisfaction for all concerned, which in this world view is the desideratum back of all thought and activity. The utility theorists were contemporary with Herbert Spencer and were philosophically his comrades in arms.*²

By a curious accident of history Herbert Spencer and Karl Marx are buried across from each other at the Highgate Cemetery in London. The mainstream of economics has certainly left both behind even though

1. R. D. C. Black, "Introduction" to W. Stanley Jevons, *The Theory of Political Economy*, Pelican classics (Harmondsworth, 1970), p. 9.

2. Frank H. Knight, "Marginal Utility Economics", reprinted from the *Encyclopedia of the Social Sciences* (1931) in *Essays in Economic Thought*, ed. by Joseph J. Spengler and William R. Allen (Chicago: Rand McNally & Company, 1960), p. 604.

both have their proponents within the social sciences today. But even though the attempt of the utility theorists to find a firm bridge between utility and mathematical computation has had some difficult times on the utility side, the procedures of maximization have become increasingly important in the training and concern of economists.

III. The New Political Economy

AN eloquent protest against the tendency to reduce economics to maximization techniques has been given by Professor James Buchanan.³ If I may be allowed to extend dramatically an image that Buchanan mentions, he conceives himself as Horatio at the bridge. Economics as a social science is essentially a theory of markets or exchange rather than a theory of choice or resource allocation. He does not deny that there is such a thing as a theory of choice which may be quite useful. Buchanan is certainly not a methodological exclusivist who claims that his approach is the only one or that it should replace all things that have gone before. He would simply assert that much of what economists do is applied mathematics, applied maximization of a relatively simple computational sort. At best, perhaps, it would be a contribution to managerial science.

Horatio wishes to keep the barbarians away and not permit their "dry rot of postulated perfection of a general equilibrium set of equations" from eating away the bridge. The standard we are given to repair to is a Smithian classical approach to markets and division of labor (but certainly not an objective theory of value) combined with the Austrian subjectivist value theory (but not some general mishmash of

neo-classical marginalism). Back to Smith and away from Pigou!

The essence of Buchanan's approach appears to be the concept of the market as the embodiment of the voluntary exchange process. The economist must not conceive of the market as a means toward any preconceived end but should be content to observe "men attempting to accomplish their own purposes, whatever they may be."⁴ Indeed much of his concern seems to stem from the maximizers who have paid attention to Lionel Robbins's methodological warnings. As a result they have consciously and unashamedly introduced value judgments in the form of "social welfare function."⁵

One cannot but be partially sympathetic to Buchanan's point when one sees the hubris with which utilitarians and the later followers of utilitarians have approached the problems of man and society. Recall the passage from Frank Knight quoted earlier where he describes the scientific hopes that society is a great machine which can be manipulated by the social scientist observer to guarantee whatever results are desired. There have been those thinkers in the history of social thought "from whom no secrets are hid, and all desires known." The most important example is of course Bentham himself with his apparatus of a felicific calculus, Panopticons, dead hands of India and auto-icons.⁶

The important part of Buchanan's position here is not that in which he disagrees

3. James M. Buchanan, "What Should Economists Do?" *Southern Economic Journal* Vol. XXX, No. 3, January 1964; for further elaboration see his essay "Is Economics the Science of Choice?" in *Roads to Freedom: Essays in Honour of Friedrich A. von Hayek*, ed. Erich Streissler (London: Routledge and Kegan Paul, 1969).

4. *Ibid.*, p. 219.

5. For a more careful presentation of this aspect of his thought see James M. Buchanan, "Positive Economics, Welfare Economics, and Political Economy," *Journal of Law and Economics*, Vol. 11 (October, 1959).

6. According to Bentham: "Call them soldiers, call them monks, call them machines, so they were but happy ones, I should not care. Wars and storms are best to read of, but peace and calms are better to endure." *Cf.* Elie Halevy, *The Growth of Philosophic Radicalism*, (Boston: The Beacon Press, 1960), p. 84. The most extensive documentation on Bentham's hubris can be found in Gertrude Himmelfarb's brilliant essay, "The Haunted House of Jeremy Bentham" reprinted in her *Victorian Minds*.



James M. Buchanan

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with the tendency of the profession but that which is held in common. The core of that agreement is that individual preferences confer the Midas touch in economics. Individual utility functions, whether known or not known, demonstrated or inchoate, are the ultimate reality of economics as well as the social sciences in general. Professor Buchanan represents one of the more clear and consistent attempts to work out this scheme of the social sciences and even to act as a missionary to the underdeveloped lands of political science. In the new political economy, economics is the master science.

Since the methodological assumptions of economics partially mirrors the state of contemporary culture, it provides a key to understanding the decay of modern institutions and standards of conduct. In both economics and modern culture we see the

counterparts of the stage of political degeneration which Plato calls "democracy." Democracy is not the final state of degeneration which is tyranny but we shall save that for later.

H. L. Mencken once rather cynically defined democracy as the theory that the people know what they want and deserve to get it good and hard. Men are to accomplish their own purposes "whatever they may be." The hedonization or, even more fundamental, the economization of politics is the premise that is occasionally articulated but seldom argued because it is seen to be self-evident. More important as a traditional core in economics than the utopians with a blue-print have been the value-free institutionalists. These men claim to be realists, *i.e.* accept human nature as it is, and they also claim to be essentially humble, *i.e.* tolerant.

Considered in contrast to the utopians these claims are essentially correct and even salutary. But the attempt to be value-free or scientific is in the final analysis unsustainable. The more clear-headed circumvent the difficulty by constructing social welfare functions on the basis of their own expressed preferences or hidden biases as Buchanan has very correctly pointed out. The value of Buchanan's work is that he does not take this route, but instead makes clear the fact that he is engaging in an act of political philosophy. Since all political philosophy has a concept of the public good, this subtle form of the economization of politics declares that the good is the satisfaction of desire or appetite even though we do not know what men desire, nor do we know what constitutes happiness. The function of social science is to construct institutions in which men can satisfy their desires without harming others or, more precisely, what harm they do to others is at least internalized in their decision-making process.

This approach to the social sciences should by no means be equated with the old canard against economics that it assumed that all men are selfish or greedy.

The modern attempts to resuscitate political economy clearly permit equality and benevolence, so long as we can conceptualize them as arguments in someone's utility function. They can be processed either through the private sector (the economics of the charity market) or through the public sector (the economics of public goods).

The clearest statement of the tradition of political philosophy from which all this comes is made by Buchanan and Tullock in their book *The Calculus of Consent*:

It is not surprising that our conception of the "good" political society should resemble that held by the philosophers of the Enlightenment. Our analysis marks a return to an integration of the political and economic problems of social organization, and constitutional democracy in its modern sense was born as a twin of the market economy. With the philosophers of the Enlightenment we share the faith that man can rationally organize his own society, that existing organization can always be perfected, and that nothing in the social order should remain exempt from rational, critical, and intelligent discussion. Man's reason is the slave to his passions, and recognizing this about himself, man can organize his own association with his fellows in such a manner that the mutual benefits from social interdependence can be effectively maximized.⁷

Buchanan's recognition of the Enlightenment roots of his thinking is made explicitly time and time again. In one of the articles mentioned earlier he states quite clearly: "The contract theory of the state, and most of the writing in that tradition, represents the sort of approach to human activity that I think modern economics should be taking."⁸ His acceptance of the

fact-value distinction can be seen in a little aside in his discussion of Stigler's warning that methodological discussion should not take place before one is sixty. Buchanan says, "As a value statement, Stigler's admonition can hardly be discussed."⁹ He does not give any substantive reasons why it should not be discussed so it can only be surmised that it is *qua* value statement.

The close parallel between the methodological assumptions of the new political economy and the conditions of contemporary society is suggested by a reading of Plato's *Republic*. After plutocracy, which we will discuss in the next section of this paper, comes democracy. In democracy the miserly plutocrat's son becomes the impudent lotus-eater (remember that lotus-eating is the ancient form of marijuana and LSD). The thrift and capital accumulation of the father provides the necessary base for the luxury of the son. The slightly stuffy conventional wisdom of the father turns into the corrosive acids of the affluent society:

Liberty and free speech are rife everywhere; anyone is allowed to do what he likes . . . every man will arrange his own manner of life to suit his pleasure. The result will be a greater variety of individuals than under any other constitution. . . . There is so much tolerance and superiority to petty considerations; such a contempt for all those fine principles we laid down in founding our commonwealth, as when we said that only a very exceptional nature could turn out a good man, if he had not played as a child among things of beauty and given himself only to creditable pursuits. A democracy tramples all such notions under foot; with a magnificent indifference to the sort of life a man has led before he enters politics, it will promote to honour anyone who merely calls himself the people's friend.

. . . he will set all his pleasures on a

7. James M. Buchanan and Gordon Tullock, *The Calculus of Consent*, (Ann Arbor: University of Michigan Press, 1962), p. 306. It is no accident that the word "good" is in quotes.

8. James M. Buchanan, "What Should Economists

Do?" *Southern Economic Journal*, Vol. XXX, No. 3, January 1964, p. 220.

9. *Ibid.*, p. 213.

footing of equality, denying to none its equal rights and maintenance, and allowing each in turn, as it presents itself, to succeed, as if by the chance of the lot, to the government of his soul until it is satisfied. When he is told that some pleasures should be sought and valued as arising from desires of a higher order, others chastised and enslaved because the desires are base, he will shut the gate of the citadel against the messengers of truth, shaking his head and declaring that one appetite is as good as another and all must have their equal rights. So he spends his days indulging the pleasure of the moment, now intoxicated with wine and music, and then taking to a spare diet and drinking nothing but water; one day in hard training, the next doing nothing at all, the third apparently immersed in study. Every now and then he takes a part in politics, leaping to his feet to say or do whatever comes into his head. Or he will set out to rival someone he admires, a soldier it may be, or, if the fancy takes him, a man of business. His life is subject to no order or restraint, and he has no wish to change an existence which he calls pleasant, free and happy.¹⁰

Up to this point we have been concerned with stressing economics as narrowly conceived and the reaction of the new political economy against certain aspects of it: the blueprint approach of those who know exactly what results they want, and the process approach of those who would combine a fact-value distinction with methodological individualism. Two questions arise that need further discussion. First, is the democratic understanding of the nature of man and the social sciences either a permanent achievement, or a sustainable condition of society, and second is Buchanan's calling back to Adam Smith as the prototype for the new political economy historically accurate? The second question, which will be answered in the negative, will

10. *The Republic of Plato*, translated by Francis MacDonald Cornford, (New York: Oxford University Press, 1959), pp. 280-286.

form the basis for the next section on the Old Political Economy.

The answer to the first question is of course uncertain since men are always free to change the trends that they observe around them. The trends and portents are not, let us face it, encouraging. Professor Hayek may have been premature in writing the *Road to Serfdom*, but he is still able to command an audience for a conference entitled "Where Are We on the Road to Serfdom?" held recently. Let me also quote from the 1974 Annual Report of the Center for Study of Public Choice, Virginia Polytechnic Institute, the nucleus of the research and publications of the new political economy:

Continuing inflation, unemployment, explosive government spending, deficit financing, increasing dependence on foreign energy suppliers along with increasing vulnerability to disruption—these are the major economic problems of the middle 1970s. Accompanying these is the widespread conviction that government—the political process—is responsible for setting things straight, that the national economy can be reformed by political action. In a literal sense, this is the age of "political economy."

It is not perhaps too much to say that this literal age of political economy is precisely what the new political economy wishes to avoid. Instead they would prefer an economical politics.

Once again we can call Plato to our aid in understanding the likely course of events. It should be made clear that Plato is not simply a negative critic of democracy. He admits what he calls the "fine variety of pattern" which characterizes the democratic state. This of course allows the philosopher at least to exist if no longer to predominate. But, the democratic form is not permanently stable. The seeds of decay exist even here. Democracy degenerates into tyranny:

Is democracy likewise ruined by greed for what it conceives to be the supreme good?

What good do you mean?

Liberty. In a democratic country you will be told that liberty is its noblest possession, which makes it the only fit place for a free spirit to live in. . . . Perhaps the insatiable desire for this good to the neglect of everything else may transform a democracy and lead to a demand for despotism. A democratic state may fall under the influence of unprincipled leaders, ready to minister to its thirst for liberty with too deep draughts of this heady wine; then, if its rulers are not complaisant enough to give it unstinted freedom, they will be arraigned as accursed oligarchs and punished. Law-abiding citizens will be insulted as non-entities who hug their chains; and all praise and honour will be bestowed, both publicly and in private, on rulers who behave like subjects and subjects who behave like rulers. . . . Putting all these items together, you can see the result: the citizens become so sensitive that they resent the slightest application of control as intolerable tyranny, and in their resolve to have no master they end by disregarding even the law, written or unwritten.¹¹

IV. Old Political Economy

IF we can roughly say that the purpose of political economy today is the flowering of the democratic man, then it is permissible to summarize the old political economy of the classical school as wishing to promote the republican man. No longer are we in the framework of the fact-value distinction. Essentially economic and social institutions are to be judged in terms of the development of a certain type of character. Not all desires are equal.

The main moral characteristics of republican man are independence and self-reliance. The good society enshrines those qualities which for better or worse we have come to call the Protestant Ethic. More time-bound terms for the same cluster of virtues are the Victorian spirit or the Puri-

tan ethic. The formation of character, in which independence played an integral part, was an important determinant of the classical theory of economic policy. Not only did it play a broad and general role in their sometimes guarded approval of modern commercial society, but it also shaped their policy recommendations on specific issues.

The classical economists' discussion of the problem was neither romantic nor utopian. Smith, Malthus, Ricardo, McCulloch, and the Mills would have agreed with the observation of Alfred North Whitehead:

The self-sufficing independent man, with his peculiar property which concerns no one else, is a concept without any validity for modern civilization. Unfortunately this notion has been embodied in ancient moral codes applicable to Syrian deserts, and has reappeared tinging Western political theory in the commercial epoch immediately succeeding the decay of medieval feudalism. But it is not the practicable alternative to a slave society. The problem of social life is the problem of the coordination of activities, including the limits of such coordination.¹²

If we look at the above passage by Whitehead, we see that he links self-sufficing with independent. The classical economists would have been very careful to make a distinction between the two concepts. Independence as either isolation or anarchy had no place in their conceptions. Independence was always to be understood within the context of social cooperation. To eliminate social cooperation was to eliminate the possibility of the division of

11. *Ibid.*, pp. 288-289.

12. Alfred North Whitehead, *Adventures of Ideas*. (Mentor, New York, 1955), pp. 34-35. A utopian concept of independence seems to be linked with certain anarchist thinkers. See H. N. Brailsford, *Shelley, Godwin and Their Circle* (New York: Oxford University Press, 1951), pp. 81, 145, on Godwin and Mary Wollstonecraft. Also M. Beer, *A History of British Socialism* (London: George Allen & Unwin, Ltd., 1953), Vol. I, p. 118, on Godwin.

labor and its obvious benefits. Smith points out that if his pinmakers had all "wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day!"¹³ Only animals are autarchic: "In almost every other race of animals each individual, when it is grown up is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren. . . ."¹⁴

One of the clearest distinctions between what might be called a true and a false concept of independence is given by John R. McCulloch:

*The individual who prefers swimming across the river is of course independent of the bridges, in the same way that the nation which should prefer poverty and barbarism to wealth and refinement, would be independent of foreign commerce. But this is the independence of the savage. To be independent in the enlarged, and, if we may so speak, civilized sense of the term, that is, to have the greatest command of necessaries and conveniences, a nation must avail itself of the productive energies of every other people, and deal with them on fair and equitable principles.*¹⁵

Malthus even went so far as to include independence among his two great desiderata. The first desiderata was a great actual population and the second was a "state of society in which abject poverty and dependence are comparatively but little

known. . . ."¹⁶ It seems to be clear that the classical economists did not equate dependence with poverty and independence with wealth, although most of them would have postulated a causal relationship between the two conditions: an increase of wealth or capital tends to cause an increase of independence. Contrary to many followers of the classical economists today who seem to be primarily concerned with "external" freedom, *i.e.* absence of coercion, the classical economists in their concern for independence were simultaneously concerned with "inner" freedom, *i.e.* being one's own master. Malthus, for example, explicitly links up his concept of dependence with the debasing effects on the human mind of power. Though he agrees with Godwin on the evils of hard labor, he feels it is less calculated to debase the human mind than dependence. This debasement of the mind occurs not only to the person subject to power but also to the one who exercises such power. According to Malthus, "every history of man that we have ever read, places in a strong point of view the danger to which that mind is exposed, which is intrusted with constant power."¹⁷

John Stuart Mill was one of the clearest in not equating independence with material abundance. He claims that, "The perfection both of social arrangements and of practical morality would be, to secure to all persons complete independence and freedom of action, subject to no restriction but that of not doing injury to others."¹⁸ Mill is even willing to put up with a crafty, calculating, and over-thrifty peasantry which though not in itself desirable is a cheap price to pay for the "inestimable worth of the virtue of self-dependence, as the general characteristic of a people: a virtue which is one of the first conditions

13. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, (New York: Modern Library, 1937), p. 5.

14. *Ibid.*, p. 14. Smith goes on to point out that "Each animal is still obliged to support and defend itself separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows." p. 16.

15. John R. McCulloch, *The Principles of Political Economy*, Fifth Edition, (New York: Augustus M. Kelley, 1965), p. 106.

16. Thomas Robert Malthus, *On Population*, (New York: The Modern Library, Random House, 1960), p. 500.

17. *Ibid.*, p. 105.

18. John Stuart Mill, *Principles of Political Economy*, University of Toronto Press, 1965, Vol. I, p. 208.

of excellence in the human character—the stock on which if the other virtues are not grafted, they have seldom any firm root.”¹⁹

Mill's famous Chapter VII, Book IV, “On the Probable Futurity of the Labouring Classes” is based upon the distinction between dependence and independence or “self-dependence” in Mill's words. Here Mill contrasts the “theory” of dependence and protection (paternalism) with that of self-dependence. Mill's treatment is more convincing than some of his predecessors because he does not construct a straw man of the theory of dependence. He paints a “seductive” picture of the arguments for paternalism. He does not deny that there is something attractive in the form of a society “abounding in strong personal attachments and disinterested self-devotion.”²⁰ But, these virtues and sentiments belong to a rude and imperfect state of the social union when people needed simple physical protection. In modern conditions when this is no longer necessary the power which the privileged classes possess has been used purely for their own selfish purposes.

These contrasts which Mill draws help to make explicit the context in which the classical economists discussed the problem of dependence and independence. The roots seem clearly to derive from their common interpretation of historical development. For Smith and Hume the movement is from the rude and barbarous state to the refined and polished condition of commercial society. For Malthus the movement is from the savage state and feudal conditions to present conditions. For all of them it seems to reflect in one way or another Sir Henry Maine's famous phrase about the movement of civilization from status to contract.

The contrast between the democratic and republican man can also be effectively seen here as we examine the relationship of Keynes to the classics, not in the realm of theory, but in terms of their general

moral positions. Keynes was quite correct in understanding that much of the resistance to his ideas was based on moral conceptions of the virtues of thrift, hard work, distrust of luxury, consumption etc. Although often quoted out of context Lord Keynes' “In the long run we are all dead” would have been contrary to the vision of the classical economists. Furthermore we do not have to look much further than Keynes' description of his early beliefs to get a glimpse of the advanced stages of democratic man:

*Nothing mattered except states of mind, our own and other people's of course, but chiefly our own. These states of mind were not associated with action or achievement or with consequence. They consisted in timeless, passionate states of contemplation and communion, largely unattached to “before” and “after.”*²¹

Lekachman has also outlined the anti-Victorian crusade of Keynes:

*The dragon Keynes rode out to slay was the formidable Puritan ethic which has always considered the accumulation of riches as the occasion for stewardship, not luxurious expenditure. . . . Not the least of Keynes's successes was the weakening of the identification between virtue and thrift.*²²

If the democratic man can be characterized as a hedonist who puts all his desires on a fundamental footing of equality, then the republican man tends fundamentally to be ascetic. The virtues of thrift and parsimony are lauded. The counterpart in Plato would be the oligarchic regime. The oligarchic regime and therefore the oligarchic man are essentially plutocratic in that the highest place is given to money. Plato's characterization includes the oligarchic man “being stingy and a

19. *Ibid.*, p. 282.

20. *Ibid.*, Vol. II, p. 760.

21. J. M. Keynes, “My Early Beliefs” *Two Memoirs*, (New York: Augustus M. Kelly, 1949), 82.

22. Robert Lekachman, *The Age of Keynes*, (New York: Random House, 1966), p. 111.

toiler, satisfying only his necessary desires and not providing for other expenditures, but enslaving the other desires as vanities."²³ His virtues of justice in contractual relationships does not seem to stem from any natural attribute but from fear: ". . . when such a man has a good reputation in other contractual relations—because he seems to be just—he is forcibly holding down bad desires, which are there, with some decent part of himself. He holds them down not by persuading them that they 'had better not' nor by taming them with argument, but by necessity and fear, doing so because he trembles for his whole substance."²⁴

My preference for the term republican man rather than oligarchic is not without justification in the light of modern history. First of all the preference of America's Founding Fathers for a Republic and their fear of Democracy is certainly part of the same cloth. Adams wrote to Jefferson on December 18, 1819: "Will you tell me how to prevent riches from becoming the effects of temperance and industry? Will you tell me how to prevent riches from producing luxury? Will you tell me how to prevent luxury from producing effeminacy, intoxication, extravagance, vice and folly?"²⁵

Second the characterization which Plato gives of the regime is one "founded on a property assessment . . . in which the rich rule and the poor man has no part in ruling office."²⁶ Whether completely justified by history or not, here we have the image of so much historical writing: Florentine and Venetian Republics, the Dutch merchant aristocracy of the United Provinces, the political settlement of the Glorious Revolution and the aristocratic Whigs (in the modern sense of the word aristocratic and not Plato's) of the eighteenth century.

23. *The Republic of Plato*, translated by Allan Bloom, (New York: Basic Books Inc., 1968), p. 232.

24. *Ibid.*

25. *Correspondence of John Adams and Thomas Jefferson*, ed. Paul Wiltach (Indianapolis: Bobbs-Merrill Co., 1925), p. 170.

26. Bloom, *op. cit.*, p. 228.

V. The Ancient Political Economy

OUR final concept of political economy will be the aristocratic understanding of the ancients. Plato, however, in his study of political degeneration did not move directly from aristocracy to oligarchy. There is an intermediate stage called timocracy which is dominated by the ambitious man's love of honour and courage, the spirited part of the soul.

Before developing the pure type of timocracy it will be worthwhile to examine Plato's description of the movement from timarchy to oligarchy. The seeds of decay are present in the growth of private wealth and luxury:

*First they seek out expenditures for themselves and pervert the laws in that direction; they themselves and their wives disobey them. . . . Next, I suppose, one man sees the other and enters into a rivalry with him, and thus they made the multitude like themselves . . . from there they progress in money-making, and the more honorable they consider it, the less honorable they consider virtue.*²⁷

Are we not reminded of Adam Smith's description of how the great landed proprietors did themselves in by their vanity:

*Having sold their birth-right, not like Esau for a mess of pottage in time of hunger and necessity, but in the wantonness of plenty, for trinkets and baubles, fitter to be the play-things of children than the serious pursuits of men, they became as insignificant as any substantial burgher or tradesman in a city. A regular government was established in the country as well as in the city, nobody having sufficient power to disturb its operations in the one, any more than in the other.*²⁸

Timocracy proper, rather than the later stage of its decay which we have just examined, leans toward "spirited and simpler men, men naturally more directed

27. *Ibid.*, p. 228.

28. Smith, *Wealth*, pp. 390-391.

to war than to peace, in holding the wiles and stratagems of war in honor; and in spending all its time making war; . . .²⁹ For Plato, timocracy described the Spartan and Cretan polities.

Although timocracy does not mirror closely any positive conception of the scope of political economy, it has strong similarities to the state of European society before the advent of liberal democracy.

The timocratic stage proper would correspond most closely to the feudal period with its cult of Chivalry and certain aspects of the Renaissance which emphasize the cult of honor and fame.

According to Plato, however, the timocratic regime imitates the best regime, *i.e.* the aristocratic, precisely to the extent that it shares a common disdain or neglect of strictly economic phenomena:

*In honoring the rulers, and in the abstention of its war-making part from farming and the manual arts and the rest of money-making; in its provision for common meals and caring for gymnastic and the exercise of war. . . .*³⁰

Edmund Burke quite clearly expressed the contrast in the *Reflections on the Revolution in France*:

*But the age of chivalry is gone. That of sophisters, economists, and calculators, has succeeded; and the glory of Europe is extinguished for ever.*³¹

In many ways the age of economists and calculators understood itself as precisely in opposition to these values of both timocracy and aristocracy. The old political economy and the Enlightenment in general put a high premium on the channeling of pride and vanity into the production of good utilitarian consequences. This, of course, was not to be done by preaching or direct moral persuasion but by institu-



William F. Campbell

The ancients also wished to maintain a strictly prosaic view of the role of economics but with the essential difference that economics was not conceived to be the science of rational action. It was a servile art at best to be used at the behest of a political order oriented toward the common good. Private wants and desires had, on occasion, to be restrained since they were not by nature directed to the public good.

tional devices such as Leviathan, the market, and the rule of law.

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To see the sharp difference between the ancients and the moderns, we may look at the discussion between Socrates and Callicles in Plato's dialogue, *Gorgias*.³²

29. Bloom, *op. cit.*, p. 225.

30. *Ibid.*

31. Edmund Burke, *Reflections on the Revolution in France*, (Chicago: Henry Regnery, 1955), p. 111.

32. All quotations from the *Gorgias* are from the *Dialogues of Plato*, translated by B. Jowett (Oxford: Clarendon Press, 1953), Vol. II, pp. 609-616.

If the fear of death and the consequent desire for a prolongation of life are characteristics of modern philosophy and science, then Callicles, an important Athenian politician, fully qualifies as a modern when he answers Socrates' question:

. . . do you think that all our cares should be directed to prolonging life to the uttermost, and to the study of those arts which in need save us from danger; like that art of rhetoric which saves men in courts of law, and which you advise me to cultivate?

with the answer, "Yes, truly, and very good advice too." Socrates clearly recognizes that the love of popularity on the part of politicians and art of flattery which they must use to stay in power are his true adversaries. In discussing the art of training of the body or soul, Socrates says that we may treat them with a view to pleasure in which case we indulge them, or we may treat them with a view "to the highest good, and then we do not indulge but resist them." Essentially the same choice confronts the politician in his leadership of the polis.

Socrates then asks the embarrassing question of Callicles: "has Callicles ever made any of the citizens better? Was there ever a man who was once vicious, or unjust, or intemperate, or foolish, and became by the help of Callicles good and noble?" Callicles responded by saying that Socrates is contentious to which Socrates responds:

. . . I really want to know in what way you think that public affairs should be administered among us—whether, when you come to the administration of them, you have any other aim but the improvement of the citizens?

From there the discussion goes to concrete cases, particularly Pericles, who would seem to be the epitome of the enlightened liberal statesman. Socrates raises some serious doubts which seem to be based on Socrates' suspicion that Pericles is responsible for thoroughly economizing the political order:

I should like further to know whether the Athenians are supposed to have been made

better by Pericles, or, on the contrary, to have been corrupted by him; for I hear that he was the first who gave the people pay, and made them idle and cowardly, and encouraged them in the love of talk and of money.

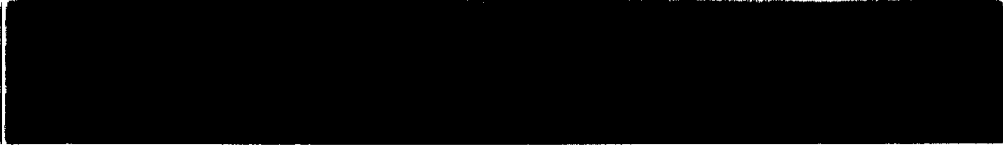
Gorgias comes back to the achievements of these earlier statesmen as his defense which forces Socrates to come out with his view of statesmanship:

O, my dear friend, I say nothing against them regarded as the serving-men of the state; and I do think that they were certainly more serviceable than those who are living now, and better able to gratify the wishes of the state; but as to transforming those desires and not allowing them to have their way, and using the powers which they had, whether of persuasion or of force, in the improvement of their fellow citizens, which is the prime object of the truly good citizen, I do not see that in these respects they were a whit superior to our present statesmen, although I do admit that they were more clever at providing ships and walls and docks, and all that.

The scope of economics for the ancients would be essentially a return to the idea of management, *i.e.* the serving men of the state. The difference is that modern economics conceives its goal to be efficiency within the constraint of satisfying the consumers' wants as the highest good. The ancients would say that orientation or receptivity to the good, the ordering of the soul, is the highest good and that economics should be considered rather prosaically as the proper ordering of the institutions of everyday life to facilitate this. Economics would be a servile, managerial art justified by its contribution to ultimately achieving non-servile ends.

VI. Conclusion

THE purpose of this paper has been to state as clearly as I can what I believe to be the underlying assumptions of three basic views as to the relationship between politics and economics. What might be con-



sidered to be merely abstract views of the scope and methodology of political economy also seems to mirror certain states of society which follow each other in a sequence very similar to Plato's description of the stages of political degeneration.

I would not wish to be understood as asserting that it is inevitable that we will degenerate further into tyranny. I am not an historicist or a fatalist. But in this age of the computer and totalitarian states it is not hard to imagine the economics of despotism. It is also true that, in comparison to the drift of democracy, Plato's tyrant like Milton's Satan has certain moral virtues of determination, strong will, and sense of direction that are sorely lacking in our own society.

We may very well have to face up to the strong likelihood that we cannot stop the drift by appealing to a narrow economics or a new political economy. Both of which, because they are open-ended, refuse to ask the essential questions of the nature of the good and happiness. The old political economy with its concern with independence and self-reliance is also unconvincing because it is primarily ordered to avoiding evils and discomfort.

According to the ancients, the procedures of the moderns are ideological constructs which systematize disordered personalities. By refusing to be rational about the questions of ends, we stand a good chance of slipping into the tyranny which follows democracy.

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