

## IN REVIEW

## The Case for Abolishing Zoning

REVIEW BY DAVID R. HENDERSON

**“Z**oning is not a good institution gone bad. ... On the contrary, zoning is a mechanism of exclusion designed to inflate property values, slow the pace of new development, segregate cities by race and class, and enshrine the detached single-family house as the exclusive urban ideal.” So writes M. Nolan Gray in *Arbitrary Lines: How Zoning Broke the American City and How to Fix It*.

This quote is a strong condemnation of zoning. Does Gray, a scholar affiliated with the Mercatus Center, successfully make his case? He does. I confess that I was somewhat convinced of this before cracking the book. Decades ago, I read a 77-page article by legal scholar Bernard Siegan who made the case that Houston, the one major city in America that has avoided zoning, was doing well. Gray is quite familiar with Houston and, indeed, devotes a whole chapter to laying out in what ways it does well.

Gray does much more than discuss Houston. He delves into the history of zoning, which began about a century ago, to show that the racial and class segregation it creates and the property values it inflates are not accidental byproducts of a well-intentioned process gone wrong. They are, instead, what the early proponents of zoning intended. To put it in the current vernacular, for the early proponents of zoning, these bad effects are a feature, not a bug. Gray makes a strong case for making zoning less bad and a further strong case for ending it. Unfortunately, he also recommends that local governments impose price controls on a portion of new housing stock.

**Excluding the wrong sort** / Early in the book, Gray makes an important distinction between zoning and city planning.

He learned that distinction on the job. As a city planner in New York, he had been required to work on the zoning help desk for at least one day a month, answering public questions about the city’s regulations. The main thing he learned was that “most people don’t know the first thing about zoning.” But he knows a lot about it and gives a nice summary of what it is.

Zoning, he writes, “regulates uses and densities on private land—nothing more, nothing less. It works principally by what it prevents rather than by what it causes.” Zoners decide whether a given area of a town or city should be zoned for residential, commercial, or industrial usage. They often zone residential areas as “R-1,” meaning that only detached single-family homes are allowed. Such zoning often precludes even small corner grocery stores.

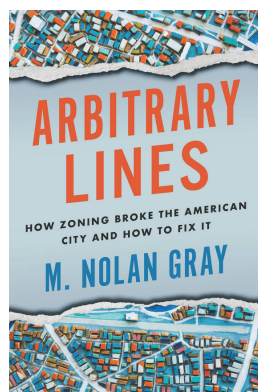
One of the first cities to adopt zoning was Berkeley, Calif., in 1916. Gray notes that the main proponents of zoning in Berkeley were homeowners and industrial interests. Berkeley was the first U.S. city to introduce single-family zoning. Single-family housing, of course, is much more expensive than duplexes, fourplexes, and apartment blocks. It might seem sensible to exclude industrial uses of property from residential areas, but tellingly Charles Henry Cheney, whom Gray calls “a key framer of Berkeley’s 1916 zoning ordinance,” singled out laundries as a use to exclude. His reason? Cheney thought that laundries would bring in “negroes and Orientals.” The horror!

In the 1920s, zoning went viral. Between 1916 and 1923, the number of municipalities that had adopted zoning rose from eight to 218, notes Gray. By 1936, over 1,000 municipalities had zoning. One of its major proponents was Herbert Hoover in his role as secretary of commerce from 1921 to 1928.

When I used to visit my maternal grandparents in their 700-square-foot house in Winnipeg in the early 1960s, I would almost always run into their tenant, Mr. Woolridge. He was a nice, old, retired man who rented a bedroom that was about 40 square feet and shared

my grandparents’ kitchen and bathroom. Such arrangements, which Gray calls “single-room occupancies” (SROs), were somewhat common then for low-income owners and tenants. They are now illegal almost everywhere. SROs, notes Gray, served “as the bottom rung of the housing market.” Prohibiting them, he writes, “has served no small role in driving the contemporary homelessness crisis facing cities.”

A major factor in making housing more expensive and pricing out lower-income people is zoning rules that limit density. The lower the cap on density, the fewer



*Arbitrary Lines: How Zoning Broke the American City and How to Fix It*

By M. Nolan Gray  
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## About Our Reviewers:

ART CARDEN is professor of economics at Samford University’s Brock School of Business, a senior fellow with the American Institute for Economic Research, and co-editor of the *Southern Economic Journal*.

DAVID R. HENDERSON is a

research fellow with the Hoover Institution and emeritus professor of economics at the Graduate School of Business and Public Policy at the Naval Postgraduate School in Monterey, Calif. He is the editor of *The Concise Encyclopedia of Economics*. He blogs at *EconLog*.

GEORGE LEEF is director of research

for the James G. Martin Center for Academic Renewal.

PIERRE LEMIEUX is an economist affiliated with the Department of Management Sciences of the Université du Québec en Outaouais.

PHIL R. MURRAY is professor of economics at Webber International University.

houses there are in a given area, and housing prices reflect this fact. Because black people and Hispanics are disproportionately lower income, the density rules have the effect, whether intended or not, of segregating communities. The opposite is true also. Gray reports on a study that found that increasing the zoned density of an area by just one housing unit per acre was associated with a 0.50% increase in Hispanic residents as a percentage of the area's population and a 0.38% increase in black residents as a percentage.

In a chapter titled "Sprawl by Design," Gray quotes an activist who opposed allowing a 14-story residential building on land on which an old hospital building in Queens sat. The activist asked, "How much more burden can we put on our environment?" With a boatload of data, Gray shows the absurdity of that question. It is low-density housing that burdens the environment more. New York, he writes, "may just be the greenest major settlement in America." People in New York City "use far less energy, gasoline, and land per resident while producing less in the way of pollution, trash, and greenhouse gas emissions than their suburban peers." Gray quotes an estimate that "a household in a detached single-family house consumes three times as much energy as a household in an apartment." One major reason is that shared walls in apartment blocks make apartments more energy efficient.

On a related note, he points out that because zoning and other regulations make housing in coastal California so scarce and therefore so expensive, fewer people live in coastal California than otherwise would. This is a shame because coastal California's temperate climate leads its residents to use much less energy to heat and cool their homes than people in other parts of the United States. Gray notes that Los Angeles, San Diego, San Francisco, San Jose, and Sacramento are "among the fifteen most energy-efficient cities" in the United States.

**Reform** / In a chapter titled "Toward a Less Bad Zoning," Gray considers four reforms

that would make zoning much less onerous:

- End single-family zoning.
- Abolish minimum parking requirements.
- Eliminate or reduce minimum floor area and minimum lot size requirements.
- Decriminalize certain kinds of housing that are more affordable.

The reason for the first is fairly obvious: it would free up land for building multiplexes and apartment blocks. The reason for the second is almost as obvious: requiring parking eats up land that could be used for housing and, as Gray notes,

***Because blacks and Hispanics are disproportionately lower income, the density rules have the effect of segregating communities.***

developers "have both the right incentives and needed local knowledge to determine how much off-street parking is necessary." He points to some recent good news: in 2017, "Buffalo became the first major US city to abolish parking requirements." The third proposal, to reduce or end minimum floor area and minimum lot size requirements, would allow more dense housing, driving prices lower. His fourth proposal is to allow the SROs mentioned above and allow manufactured housing. Manufactured housing, he notes, costs about a third as much as housing built on-site.

These four proposals, taken together, would likely bring down housing prices substantially. My guess is that the prices in coastal California, for example, would fall by 30% to 50%.

Gray doesn't stop there. In a subsequent chapter, he argues for ending zoning by responding to what he sees as the best arguments for zoning. He notes that the arguments are really about dealing with negative externalities, like noise and bad odors, that have little or nothing to do with

zoning. He makes the ultimate case by considering non-zoned Houston, which is now American's fourth largest city. Gray points out that various Houston neighborhoods use deed restrictions to deal with potential negative externalities. The advantage that such restrictions have over zoning is that they are determined by owners rather than governments and they have both expiration dates and the flexibility to adjust to changed market circumstances.

**Different interventions** / Interestingly, I found Gray's case against zoning more convincing than he did. To further boost affordable housing, he advocates price controls on housing even if zoning is abolished. He proposes a policy used in Massachusetts that gives permits to developers "who propose projects wherein at least 20 percent of the units are income-restricted." He admitted in an email to

me that this would impose price controls on that 20% of new housing. Does he realize that, as economists Benjamin Powell and Edward Stringham pointed out in a study for the Reason Foundation, such price controls would make developers *less* likely to build new housing?

Gray also claims that people shouldn't support abolishing zoning if doing so "meant allowing developers to demolish truly historic buildings." But what does "truly historic" mean? He seems to think he knows, but he doesn't share this knowledge with the reader. He seems insufficiently aware of the ways people can act in the free market to buy up buildings that they regard as truly historic. I would rather put that term to a market test than to a bureaucratic test.

**Conclusion** / Until about a decade ago, zoning restrictions on housing seemed eternal. But intellectual ferment and even legislation are now pushing the other way.

In the last five years, I've reviewed two other books for *Regulation* that make the

case for easing up on zoning restrictions. Richard Rothstein's 2017 masterpiece, *The Color of Law*, argues that exclusionary zoning laws, along with other government interventions, make it difficult for black people to find affordable housing. (See "How Government Enforced Segregation," Fall 2017.) Conor Dougherty's *Golden Gates* documents attempts in the San Francisco

Bay area to loosen restrictions on housing. (See "The Solution to Expensive Housing Is More Housing," Spring 2021.) We are seeing some attempts at the state level to relax or end California cities' requirements for single-family housing. If we see more of that and in more parts of the country, as I think we will, some of the credit will belong to Gray's *Arbitrary Lines*. R

from borrowing dollars, compounding the country's problems.

The market for oil and dollars is not the only source of turmoil in Venezuela, according to the author. He explains:

The chaos here is blamed on the failure of a "socialist" experiment. But what I had discovered was that most people's economic activity took place in an anarchic market of speculation, hoarding and violence. It was a fractal of finance capitalism. A mirror image—at every social scale—of the very free-market forces that had powered the chaotic decade.

Thus, he condemns the market process as an organizing system.

**Cargo cult/** Give Russell credit for traveling the world, putting himself in danger, and reminding us that all is not well. Credit him also for bothering to learn and share theoretical critiques of markets that supplement his empirical observations. This brings us to the second reason why he sees chaos: he listens mainly to economists who are critical of the price system. Joseph Stiglitz declared, "The invisible hand is invisible because it doesn't exist." Russell interprets this as "prices deceive. They can hide information, they can manipulate the unwitting and extract their wealth."

Robert Shiller introduced Russell to the role of narratives in markets. "In other words," Russell explains,

all the "information" that is factored into prices comes to speculators in the form of a story. There is no pure information that exists outside their interpretation of it.

Stories, whether true or false, influence prices. Russell adopts these perspectives and his training as a sociologist to formulate his own critique of markets and prices.

When critics complain that a financial market is not doing what it is supposed to, matching saving to investment, they liken it to a casino. Russell takes a different tack. He likens a financial market to a cargo cult.

## Prices Are Hell

◆ REVIEW BY PHIL R. MURRAY

Rupert Russell is a Harvard-trained sociologist and documentary filmmaker. His new, first book, *Price War\$*, exemplifies *Regulation* editor Peter Van Doren's dictum, "Prices matter a lot." The book teems with stories of the causes and effects of price changes. Russell knows price theory. He writes: "The function of prices,"

[Friedrich] Hayek said, 'is to tell people what they ought to do.'"

Van Doren has a corollary: "People don't like prices." Russell dislikes prices. In his view, they mislead and put people in dreadful circumstances. He knows how a price system is supposed to work—"prices could coordinate through a decentralised network that Hayek called a 'spontaneous order'"—but he does not see harmonious order in market prices. He explains, "As I had seen time and time again, from the Enlightenment through the British Empire to the Wall Street crash to the Financial Crisis, the rule of prices is chaotic."

**World of chaos /** This is a longstanding problem for economists. Where they see order, others see chaos. Why?

First, there is chaos in the world. Russell has toted a camera around the globe, filming it. He traveled to Mosul, Iraq. One might think the Islamic State created the chaos there when it attacked in 2014, but Russell sees markets as the cause. When the price of wheat rose substantially in 2011, Syrians strained to afford bread and rose up against their government. Abu Bakr al-Baghdadi filled the power vacuum with the Islamic State. The

high price of oil in 2011 boosted the revenues he earned from selling Syrian oil and financed the Islamic State's attack on Mosul.

Russell also traveled to Ukraine after the Russian invasion in 2014. One might think Vladimir Putin's megalomania caused the turmoil there, but Russell again blames markets. A high price for oil filled Russia's treasury, financing the invasion.

Russell traveled to Venezuela, where people struggle to feed themselves and face other social maladies. Economists in general blame socialism for causing the retrogression in that country. Once more, Russell blames markets. In his view, "The Venezuelan apocalypse was made in the markets: the *chavista* regime was built on a wave of black gold and then suffocated by a shortage of dollars." By that he means Venezuelans shift between feast and famine as the price of oil rises and falls. When the price is high, the Venezuelan bolívar appreciates, imports are cheap, and government spending expands. When the price falls, the bolívar depreciates, imports become more expensive, and the government borrows dollars to finance spending. Russell adds that Donald Trump's administration prevented the current Venezuelan government

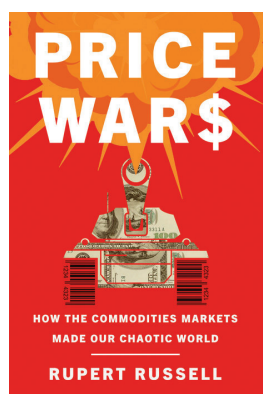
These curious phenomena among some Pacific islanders, as Russell explains them, consist of “prophets and followers.” The prophets share a vision that God will deliver “cargo” in the form of goods, but followers must first offer some sacrifice in exchange. The prophets then take the sacrificial food or money, but the cargo never appears.

With respect to financial derivatives, Russell asks, “Had the financial alchemists on Wall Street adopted the same business model as the prophets in Melanesia?” He points to the “commodity index fund,” which pools investors’ money and buys a basket of futures contracts for oil, wheat, metals, etc. Russell scorns such funds because they increase the demand for commodities and cause prices to rise without having anything to do with fundamentals such as harvests or weather. He reports,

From 2004 to 2008, institutional investors parked their capital in commodity index funds, pushing up prices, and then doubled down in 2008 as the housing market collapsed, causing a sharp super-spike.

Thus, buyers are like the cargo cult followers, claims Russell. In his theory, their buying and selling caused the “Global Food Crisis” of 2008 and the violence that sprung from it.

The author traveled to Kenya to experience some of the effects of climate change. He met a goat herder facing drought who lacked water for his goats. The herder carried an AK-47 to protect against goat thieves, which were growing more numerous as water sources dried up. As the herder worried about gun battles over goats, researchers at the Pentagon and elsewhere worry about future armed conflict over resources. “It is already happening,” Russell claims, “in Turkana, Kenya.” The herder



***Price War\$: How the Commodities Markets Made Our Chaotic World***

By Rupert Russell  
276 pp.; Doubleday, 2022

dreamed of leaving the country for urban life.

Russell also went to Kibera, a slum in Nairobi, to witness that urban life. He met a young woman who worked for wages. She did not worry about rainfall; she worried that her wages would fall short of the price of food. Prices, again, were the source of anguish. Russell shares Amartya Sen’s understanding of famine: a low real wage is the problem, not a dearth of food.

**Algos** / Russell holds markets in contempt because even though food production rises over time, speculators increase its demand and

price. We know the author’s allegation that speculation through commodity index funds raises the price of food. To that he adds another villain: algorithmic trading. He describes the process as follows:

It can be just a small climate shock. A shock that is read by a satellite, turned into a prediction, fed into an algo, which anticipates that another algo has the same prediction, which creates incentive for all the algos to trade. The ensuing digital battle increases global prices and pushes the burgeoning megacities of the developing world towards the edge of chaos.

The “digital battle” the author refers to is what he sees as a zero-sum game between hedge funds determined to “raid each other’s coffers.”

Some traders are “trend followers,” who buy when prices rise because they expect prices to continue rising. They presumably abandon their trend-following at some point and sell. Other traders are “contrarians,” who “see the price go up and they bet against it; or if prices are declining, they buy.” Russell paraphrases Milton Friedman’s argument that speculators stabilize prices: “their bets only pay off if they are correct.” In contrast, he summarizes Larry

Summers’s argument that there exists “a tipping point, a point at which enough trend followers could push prices from order into boom and bust and even chaos.” The author takes the food price spikes in 2008 and 2010 as evidence that trend followers overwhelm contrarians and implies that speculation destabilizes prices. The reader may wonder whether other factors confound the author’s story of cause and effect, such as diverting corn to produce ethanol or restricting international trade.

**Climate doomsday device** / Russell predicts that climate change will make life difficult for people besides the low-income residents of Kenya. He introduces the scary idea of a “climate-finance doomsday device.” Initially, polar ice caps will melt and destroy oceanfront real estate. Lenders and insurers will go bankrupt. Manufacturing, transportation, and communication industries will break down. Then government officials will ban production and consumption of fossil fuels.

Reckoning that climate change will cause economic depression is incorrect, the author informs us:

The origin of this doomsday device ... is prices. For centuries the global markets have priced carbon incorrectly. Fossil fuels are simply too cheap. Their price does not take into account the “external” costs passed on to other people in other places in other times. Yet these prices have coordinated the economy, nevertheless. By “telling us what we ought to do” they have created a spontaneous order that has brought environmental chaos.

The author heaps additional ridicule on the finance industry for lending to fossil fuel producers.

**Problems** / But there are problems with this story. For one, Russell writes, “I discovered that these three desires—steal money, reward allies, embolden the military—are how all oil exporters spend their bonanzas.” Yet Norway exports oil, but I doubt anyone would characterize it as a



misgoverned, rogue state.

Another problem: numbers give Russell trouble. He presents a graph with “Probability of Conflict” on the vertical axis, using negative percentages. When a hotel employee in Mogadishu notifies him that bombings declined from “every day to every other day,” he figures that is “a 100 percent improvement.”

History also causes him problems. He writes, “And in 2014, once Wall Street ceased to benefit from quantitative easing, Bernanke took his finger off the money button while unemployment remained historically high.” In fact, unemployment in the United States peaked at about 15 million workers a few months after the Great Recession ended in 2009, steadily fell through 2014, and continued falling until the onset of COVID shutdowns in February 2020. In early 2014, the unemployment rate was less than a percentage point above its long-run average of 5.8 percent and gradually fell about a percentage point during that year. Neither the level nor the rate of unemployment in 2014 was “historically high.”

Those errors, however, are not what undermine the author’s case against markets. The serious problems are with his reasoning. There is no doubt that human suffering exists in the world. Russell exposes it and criticizes those who he thinks cause it. But he ignores the decline in suffering around the world as capitalism has improved living standards and health outcomes over the centuries. He downplays alternative causes of suffering. For example, he documents the corruption of Middle Eastern governments but rejects it as the cause of the Arab Spring in favor of his theory that speculators drove up the prices of wheat and bread.

To be charitable, Russell concentrates his criticism on financial markets, though he does not explicitly state that they are the only ones that deserve reproach. One wonders, if prices are so faulty, what should we look at when making investment, production, and consumption decisions? The author tries to persuade the reader that prices do not create heaven on earth, but he ignores that they can help lead us away from hell. R

# Responses to the Pandemic

REVIEW BY ART CARDEN

**T**he *Great Covid Panic* is the first book from the recently founded Brownstone Institute for Social and Economic Research, based in Austin, Texas. The book is an indictment of a world that seems to have gone mad with risk aversion and displays of political authority. As COVID variants continue to pop up and masking protocols are renewed by policymakers, it is a timely contribution.

**Three archetypes**/ In the book, economists Paul Frijters of the London School of Economics and Gigi Foster of the University of New South Wales team up with economic consultant and freelance journalist Michael Baker to explain the COVID policy response. It’s a broadside against what might be called the “COVID Political Complex.”

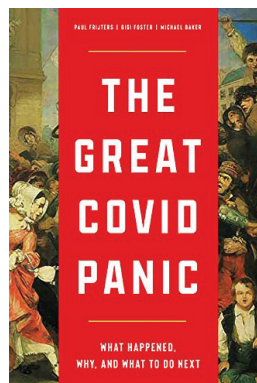
The book tells its story using three character archetypes. The first is Jane, who understandably fears what COVID will do, embraces lockdowns, willingly sacrifices freedom and convenience in the name of civic duty, and wants the government to do something about those who resist lockdowns and mandates. She is the Facebook or Nextdoor busybody who thinks she hears gunshots every time a door closes and who calls the cops on her neighbors because she saw them through the window watching football with friends while unmasked.

The second archetype is James, an opportunist in the board room or capitol building who sees in COVID a golden chance to seize power or riches. He claims to be following “the science” on how to handle the pandemic, not understanding that science can only provide what are thought to be facts about the disease, not

value judgments about how to respond to it. Worse, he plays fast and loose with the facts and excuses it by saying his noble lies benefit those who can’t handle the truth. James lives by the politician’s credo from the British show *Yes, Prime Minister*: “Something must be done. This is something. Therefore, we must do it.” Projecting confidence and being decisive trump other considerations. And, despite his belief that he is coolly analytical, when his intellect tells him one thing and his incentives tell him another, he often follows his incentives.

James also seems to think that his greatness of soul excuses him from the rules he wants others to follow. We see this archetype in the public health officials who admitted they had played armchair psychologist by advising people not to buy facemasks early in the pandemic for fear that there wouldn’t be enough masks for frontline health workers and by delaying vaccine trials and approvals so as to appear deliberative. Other examples

are the many political leaders and government authorities who pushed for public shutdowns and quarantines but then personally violated those restrictions. Finally, there’s the bizarre problem that initial debates about who should get priority in receiving the first doses of the new vaccines were not about minimizing COVID contagion but about who mer-



*The Great Covid Panic: What Happened, Why, and What To Do Next*

By Paul Frijters, Gigi Foster, and Michael Baker

408 pp.; Brownstone Institute, 2021

ited early vaccination. (The Hoover Institution's John H. Cochrane has written splendidly on this.)

The book's third archetype is Jasmine, an independent and skeptical thinker. She isn't credulous like Jane, and she has a bit of a contrarian streak. She's not satisfied with mere appeals to authority; she wants to know the argument, and she is aware of tradeoffs and unintended consequences. We hear from Jasmine-types throughout the book, and they are dismayed at what people are willing to do and sacrifice because politicians and people in lab coats tell them to. They also explain the pandemic's evolution through the eyes of Jane and James. It's an illuminating exercise.

**Consequences beyond contagion** / The authors divide the pandemic into three stages. There was "the Great Fear" from January to March 2020. "The Illusion of Control" followed from April through December 2020, as the first vaccines were developed, tested, and began rolling out. Finally, there's the phase we're in now: "the End Games." The authors document what Friedrich Hayek called "the abuse and decline of reason" at every stage.

People advocating lockdowns, mask mandates, and other interventions might protest that they are just following the science, and they might be incredulous at the very idea that we should question what experts say. One of the problems with exalted expertise, however, is that it ignores a lot of important tradeoffs. Frijters, Foster, and Baker explore this throughout the book but especially in chapter 5, "The Tragedy." In the name of a single and exclusive goal—limiting transmission—policymakers unleashed many unintended consequences. These range from relatively minor inconveniences like having one more thing to worry about (asking "Do I have a mask?" every time I leave the house), to the dystopian (not knowing what any of my students look like from the bridge of their nose down), to the devastating (enormous numbers of people pushed into poverty by COVID policy-related economic disruptions).

The book's most interesting chapter is chapter 6, "Science During the Great Panic: Finest Hour or Worst Cock-Up?" It's an interesting study in how initial conditions matter in scientific discussions. A lot of the early analyses started with suspect numbers and assumptions, but they were sanctioned by early peer review and not questioned as rigorously as they should have been. Scientists weren't skeptical enough, they argue, of initial estimates of Infection Mortality

***In the name of a single and exclusive goal—limiting transmission—policymakers unleashed many unintended consequences.***

Rates and Case Mortality Rates.

Lockdowns, mandates, and other expert-directed central plans are suspect because they ignore what Hayek called "the particular circumstances of time and place." Armed with this knowledge, we can take expert estimates of different probabilities and make what is, in our considered judgment, the best decisions for our families. A central planner or modeler cannot have this local knowledge; it is decentralized and often tacit, and it cannot confront the planner or modeler as *data*.

A lot of policy made in the name of science is, I think, eschatological rather than scientific, and an analogy the authors draw between COVID science and the medieval priesthood is appropriate. That you can buy devotional prayer candles featuring prominent government COVID adviser Dr. Anthony Fauci is a clever joke, but like most jokes it reveals some important and uncomfortable truths.

**Criticisms** / No book is perfect, of course, and *The Great Covid Panic* is no exception. I'm skeptical of Frijters, Foster, and Baker's inequality-and-plutocracy narrative, both in the United States (see Phillip Magness et al.'s March 2022 *Economic Journal* article "How Pronounced Is the U-Curve?") and globally.

The penultimate chapter, "What's Next—and What Have We Learned?" is a little disappointing. It's largely speculative, which is fine; however, some of the speculations distract from the book's overall message. I suspect this was, in part, a product of the need to get the book out quickly.

The chapter offers several proposals that worry me. First, there's a call for creating a World Anti-Hysteria Organization that could be given the ability to shut down global social media if it senses panic. This is an especially troubling suggestion in the wake of recent internet suppression in Cuba and Russia. It is also odd that this proposal appears near the end of a book that

so clearly documents policy failure after policy failure.

The authors also suggest that the European Science Foundation fund "New Schools of Thought" in direct opposition to the establishment consensus, to combat groupthink. I think we undervalue dissent, but such new schools of thought are already being funded by people like George Soros through, for example, the Central European University and the Institute for New Economic Thinking.

They also suggest that societies "treat compulsive attention to mobile phones as substance abuse, or an addiction like drugs, alcohol, or tobacco." I'm somewhat sympathetic to this because watching a room full of 19-year-old college students go an hour without checking their phones is like watching someone go through heroin withdrawal, but the market is already ahead of them. A quick Google search for "social media addiction treatment" turns up almost 1.2 million results. Furthermore, people can get out of the social media sewer with the help of web-blocking software. I'm not sure what public policies like an anti-hysteria organization or medicalization of Facebook addiction would add.

Finally, the authors suggest people channel religious fanaticism into "build-

ing divine artificial intelligence machines.” To their credit, they note, “We are not very convinced of this idea ourselves and it carries many possible risks.” Nature and nature’s God produced bumbling jumbles of fat and gristle that can comprehend themselves and produce Beethoven’s Ninth Symphony, Ethiopian lamb dishes, and *Star Wars*. I doubt a golden calf or new Tower of Babel or godbot.ai will stir the soul. There is also, of course, the possibility that godbot.ai comes up with a very creative interpretation of the laws of robotics that turns our world into an Isaac Asimov book.

Despite these criticisms, this is the

kind of book that needed to be written, and there needs to be many others like it. Liberty and prosperity will return as the pandemic wanes; however, they will return in modified, less lustrous form, as Robert Higgs explained over 30 years ago in *Crisis and Leviathan*. The advocates of lockdowns and mandates are calling for “bold, persistent experimentation” just like Franklin D. Roosevelt did in his 1932 address at Oglethorpe University. I suspect that, just like the New Deal exacerbated the Great Depression, the COVID panic will end up being an example of a cure that is worse than the disease. Better to learn that now than never. R

harmony and cooperation. To those who might credit Smith for inventing capitalism (or blame him for that), Hennessey replies that Smith’s work was one of *revelation*: his insights into human interaction simply revealed how people go about their business. Because of that natural harmony of interests, no government economic planning is needed. Here’s how Hennessey explains the point:

All of our selfish buzzing and scurrying adds up to something bigger. It moves the world forward in a way we could never achieve if we woke up every day trying to figure out a way to move the world forward. That’s the invisible hand, not some big foam finger pushing you into the mall. Greed isn’t good, ambition is—ambition to improve your circumstances, ambition to feed yourself and your family, ambition to make a better life for the next generation.

## Overcoming Anti-Marketism

REVIEW BY GEORGE LEEF

**E**very so often, a person who was brought up to believe in big government and disdain laissez-faire capitalism breaks free of those ideas and grasps the tremendous virtues of economic liberalism. Thomas Sowell, for example, was a Marxist in his early years but was fortunate enough to have had some professors who got

him to go beyond what he calls “Stage One” thinking.

The same can be said of *Wall Street Journal* deputy editor Matthew Hennessey, who grew up in a household that lionized Franklin D. Roosevelt. He went to college late and at first shied away from economics, which seemed to be both abstruse and frightening. But once he got into the subject—luckily with professors who explained it in plain English (they are increasingly rare)—he was smitten and decided to read Adam Smith’s *The Wealth of Nations*. That got him thinking like an economist and he realized how much of the logic of human action he had previously missed.

In his new book *Visible Hand*, Hennessey gives the reader an easily understood series of lessons on the miracle of the market: the beneficial consequences of liberty coupled with secure property rights and government that’s limited to protecting freedom.

Those lessons don’t involve any statistics or mathematics; rather they involve *choice*, something everyone can understand.

**Human nature and the market** / Right from the start, Hennessey wants to disabuse readers of the idea that Smith was some monster who is responsible for most of the world’s woes. He recommends that everyone read *The Wealth of Nations*, but since that isn’t likely to happen, he presents the basic concepts Smith sought to convey.

The “invisible hand,” for instance, is frequently attacked by those who demand interventionist policies. Hennessey points out that the phrase appears only once in Smith’s great work, but it contains a profound insight into human nature. In a market economy, the way for a person to get ahead is by producing goods and services that other people are willing to pay for. The pursuit of self-interest thus leads to

That understanding is quite remarkable given Hennessey’s upbringing. As is true for most Americans, in school he learned a very slanted version of our economic history: the “robber barons” were greedy monopolists; labor leaders were virtuous men fighting for equality; the Great Depression came about because of the instability of capitalism and Roosevelt’s New Deal saved us from it. Economics, Hennessey was taught, is a zero-sum game where the profits of a few come at the expense of the many. With this book, he intends to save others from this miseducation.

A liberal (in the true sense) free market economy will sometimes create losers (along with many winners), but, he argues, it is far better to then use the wealth and innovations of the market to help those deserving of aid than to “drag everyone down with central planning.”

**Dismal science** / Hennessey takes us through the basic elements of economic thinking: tradeoffs, the subjectivity of value, incentives, marginal thinking, the benefits of free trade. People who think that learning economics is too hard, or even dismal, will have

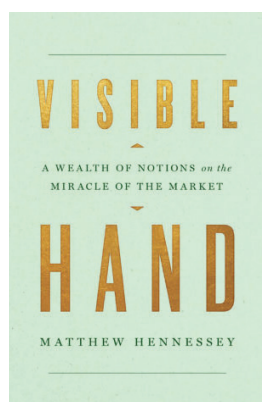


no trouble understanding his chapters.

I use the word “dismal” for a reason. One of the book’s few mistakes occurs when Hennessey stumbles into a common misunderstanding of the term “the dismal science.” He writes that economics is called that because people “often find themselves exhausted by economists’ gloomy forecasts.” They might feel that way, but the origin of the expression comes from British opponents of laissez-faire economics in the mid-19th century who found free-market arguments against slavery to be “dismal.” (See David M. Levy’s 2001 book *How the Dismal Science Got Its Name*.) I think it’s worth trumpeting on behalf of classical economics that slavery advocates hated its conclusions.

Hennessey knows that market opponents usually concentrate their fire on the price system, arguing that it is unfair to the poor, who struggle to pay for essentials. (See “Prices Are Hell,” p. 42.) It’s a fine sentiment to want to help the poor, he argues, but tampering with the price system is a bad way to do that. The result will be a misallocation of resources that won’t help the poor and will harm everyone else. Price controls (including so-called anti-gouging laws), rent controls, minimum wage laws, and other interference with the price system are detrimental, he shows. If the government, for example, tries to make medical care free, the result will be long waiting times and a decline in the quality of care—and even after that, people will still end up paying the monetary costs in higher taxes or some other way.

Currently, inflation is a top concern of Americans. Hennessey explains that it stems not from business greed but from politicians who cannot resist creating excessive amounts of money to cover their insatiable desire to spend. In one of the book’s weak points, however, he sides with the people who contend that “a little inflation” is economically



***Visible Hand: A Wealth of Notions on the Miracle of the Market***

By Matthew Hennessey  
230 pp.; Encounter Books, 2022

beneficial—that it’s necessary to “grease the wheels” of commerce. Yes, some economists argue that, but their case is far from certain. The United States enjoyed spectacular economic development in the post-Civil War era when the gold standard kept the amount of money bounded to production of the metal and prices slowly declined. Besides, a policy of “a little inflation” almost inevitably becomes more and more accommodating to the government’s appetite for spending. It would have improved the book if Hennessey had just denounced inflation as a scurrilous way of cheating debtors and expanding the scope of the state.

**Confronting anti-marketeers** / Far more persuasive is his chapter on “the anti-marketeers.” On the left, we find numerous intellectuals and politicians who want to move the country away from reliance on markets and voluntarism and toward comprehensive government control over the economy and society. They complain about inequality and use it as a lever to

***It’s a fine sentiment to want to help the poor, he argues, but tampering with the price system is a bad way to do that.***

remake America along collectivist lines. Serious leftists these days, Hennessey writes, “are all about seizing the golden goose and forcing it to lay golden eggs to finance their progressive dreams.” What these people can’t see is that socialism always diminishes human flourishing. That, however, is a long-run consequence and politicians mostly focus on winning the next election.

On the right, we also find quite a

crowd of people who are unhappy with Smithian liberalism. They complain that laissez-faire unleashes forces that undermine our culture and say that America has grown decadent and disconnected because of an excess of economic liberty. Their favorite epithet for classical liberals like Hennessey is “market fundamentalists,” suggesting that their advocacy of a non-interventionist economic policy is akin to a religious belief. These “common good” conservatives are making their weight felt in Republican circles with their claims that it’s more important to protect the family and culture with aggressive federal policies than to uphold free market principles.

Hennessey’s reply to “common good” conservatives is right on target:

Pushing the institutions of government to define the collective common good and then promote it is a project practically begging to be hijacked by those who don’t share your definition of the common good. Once the state is empowered to meddle in people’s lives, the toothpaste is out of the tube.

He also strikes a much-needed blow against the popular notion that government spending is costless or even an economic stimulant. He observes that the government can only spend what it either taxes away from the productive sector of the economy or borrows, requiring future Americans to pay higher taxes. Moreover, government programs inevitably have high deadweight costs. Everyone is worse off, except for the happy feelings among the left-wing or right-wing interventionists.

*Visible Hand* has an optimistic tone that will leave readers wanting to know more about Adam Smith and how the economy works best. It would be a good choice, especially for younger people whose heads have been filled with the kinds of anti-market propaganda that Hennessey managed to overcome.



# Fukuyama: Interesting Books, With Some Baggage

◆ REVIEW BY PIERRE LEMIEUX

**F**rancis Fukuyama's *The End of History and the Last Man* celebrates its 30th anniversary this year. It is an impressive book that has been much read and discussed. After its release, Fukuyama, a Stanford University political philosopher, wrote two other major works (in 2011 and 2014) that he says "rewrote" *The End of History*.

Now, he is out with *Liberalism and Its Discontents*, which, despite its relatively short length, provides key insights into the evolution of his thought. To evaluate this latest book, one must understand *The End of History*, and so this review examines both.

## THE END OF HISTORY

The genesis of the 1992 book was a 1989 essay, titled simply "The End of History," that Fukuyama published in *The National Interest*. The essay and book appeared at a time of great promise: the Berlin Wall fell in 1989, the Soviet Union dissolved in 1991, and China was opening to capitalism and experiencing internal demands for greater liberalization—until Tiananmen Square in 1989.

All this led Fukuyama to observe in *The End of History* that both "authoritarian states of the Right" and "totalitarian governments of the Left" had failed. With the democratization of many countries in the last part of the 20th century, he saw only capitalism and democracy as the triumphant forms of economic and political organization. It seemed that the whole of human history pointed in the direction of liberal democracy as the only regime consistent with "the nature of man as man." (In the 1992 book, Fukuyama often used "man" to mean "human being of whatever sex." In his latest book, he uses more politically correct terminology.)

This raises the question of whether there is, in fact, a direction to human history—that is, an end toward which it progresses. The ancient Greeks like Plato and Aristotle

believed in cycles, not progress. The first Western conception of directional history was that of Christianity pointing to the end times and final judgement. Immanuel Kant, an Enlightenment philosopher who believed in human progress, thought that a universal history pointing to freedom could be written. Georg Wilhelm Friedrich Hegel, the German philosopher who straddled the 18th and 19th century, whom Fukuyama presents as the first historicist philosopher, attempted to do such a universal history.

The "last man" in Fukuyama's book title is the sort of person who will live when history has reached its end—that is, when everybody is satisfied with society and no new social ideal will upset it. There will still be events, but no wars and history as such: nothing fundamental will change.

Historicism is the theory that immutable laws preside over the development of history. Karl Popper, the well-known philosopher of science, persuasively argued in a series of articles in *Economica* in 1944 and 1945 that such "laws" don't exist in the scientific sense; only historical *trends* exist, but their persistence is not guaranteed. Fukuyama did not claim more than that: in a 2006 afterword to a new printing of *The End of History*, he explained that he did not believe in a rigid form of historical determinism, only in "a broad historical trend toward liberal democracy."

**Two processes** / According to Fukuyama, human history develops around two processes. The first one, which he calls "the Mechanism," lies in the progress of natu-

ral science, driven by the desire for material goods, by military competition, and by human reason. Economic growth requires capitalism, a term that Fukuyama uses interchangeably with "the market" and "a liberal economy." The result of the first process was the development of liberalism in the sense of capitalism.

Central planning cannot support technological innovation, which requires an atmosphere of freedom as well as proper financial rewards, nor obtain the required information incorporated in market-determined prices. Fukuyama could have traced the latter idea to Friedrich Hayek, the classical-liberal economist who won a Nobel in economics in 1974. Comparing the former Soviet system or the Chinese economy before the death of Mao to the partly capitalist economies of the fast-growing Asian countries (notably Japan, South Korea, Taiwan, and Hong Kong) makes the point. A "universal capitalist economic culture" and a "universal consumer culture based on liberal economic principles" have thus been developing over the whole planet.

Fukuyama defines liberalism in terms of the rule of law and "certain individual rights or freedoms." It entails economic liberalism (or capitalism)—that is, "the recognition of the right of free economic activity and economic exchange based on private property and markets." This looks like classical liberalism and Fukuyama says it is; as we shall see, the picture is a bit more complicated.

The Mechanism of modern natural science "creates a strong predisposition in favor of capitalism" but does not necessarily produce liberal democracy, despite the strong correlation between the two systems. Authoritarian capitalism can also result, Fukuyama emphasizes.

To this Marxian-like economic interpretation of history, he adds a parallel process driven by what Hegel saw as the third component of the human soul besides reason and desire for material comfort: man's desire for recognition, what Plato called *thymos*. Men, or at least some men, are willing to fight and risk their lives to have their dignity recognized. This second strand in Fukuyama's theory owes a lot to Hegel's political philos-

ophy and its interpretation by French philosopher Alexandre Kojève (who was also influenced by Marx).

For Fukuyama, in short, man longs for “a political system that would institutionalize universal recognition.” This system is democracy—that is, popular sovereignty or the equal sharing of political power. It satisfies every man’s thymotic longing for dignity and recognition.

**Enemies of liberalism** / According to Fukuyama, liberal democracy is a combination of liberalism, which satisfies the desire and reason components of the soul, and democracy, which satisfies the thymotic part. Between liberalism and democracy, *The End of History* gives precedence to the second term: the right to participate in political power is the most important of liberal rights. By adding *thymos* to the standard classical liberalism defended by John Locke and most modern liberals—and notably of the Anglo-Saxon variety—Fukuyama claims to defend “a higher understanding of modern liberalism.”

Although Hitler and Stalin represent “bypaths of history that led to dead ends,” Fukuyama realized that liberal democracy could meet obstacles on the path to the end of history. One danger would be a drift into extreme equality at the cost of freedom. The more equal society becomes, the more remaining small inequalities seem to stand out. As a result, society could splinter into closed identity groups. Trying to create an equal society could also result in building a new class of privileged rulers, as happened under communism. The equalizers tend to not be the equals of the equalized.

Fukuyama noted that the perils of liberal

Francis Fukuyama

## THE END OF HISTORY AND THE LAST MAN

*The End of History and the Last Man*

By Francis Fukuyama  
418 pp.; Free Press, 1992

## LIBERALISM AND ITS DISCONTENTS

FRANCIS FUKUYAMA

Author of *The Origins of Political Order*

*Liberalism and Its Discontents*

By Francis Fukuyama  
192 pp.; Farrar, Straus and Giroux, 2022

democracy are accentuated by a current philosophical crisis over the “nature of man.” For many environmentalists, man is just another organism, due no special respect. This view has not changed over the past three decades.

Another peril is the return of *thymos* from those affected by *megalothymia*, who want to be more recognized than others—as opposed to *isothymia*, the equal recognition of all in a democracy. When everybody is bored by gray equality, attacking the boredom society becomes attractive to the most thymotic individuals. War and violence—and thus history—would return.

Fukuyama observed, quite correctly, that a liberal regime allows individuals to escape boredom and live great adventures without imposing their desire for recognition by force. A liberal society “permits considerable scope for those who desire to be recognized as greater than others”: there are entrepreneurs and industrialists, celebrities, exotic hobbies, dangerous sports, and other competitive quests for higher recognition. But the objects of recognition are now

purely private, aesthetic, socially useless, or “pure snobbery.” We learn that Kojève, who “gave up teaching in the latter part of his life to work as a bureaucrat for the European Community,” wished that the Roman Empire would be reestablished, but this time as a multinational soccer team. Interesting vision.

**Idealistic model** / *The End of History* is an impressive construction, from which much can be learned, but it also shows some major weaknesses.

The first broad weakness lies in its underlying model of the state: an idealistic Hege-

lian state supposed to be like God on earth. It is not surprising that, as Fukuyama notes,

Hegel would never have endorsed the view of certain liberals in the Anglo-Saxon tradition, now primarily represented on the libertarian Right, who believe that government’s only purpose is to get out of the way of individuals, and that the latter’s freedom to pursue their selfish private interests is absolute.

Many objections immediately present themselves. The dream of an ideal state to counter selfish individuals does not do justice to either economic theory or casual observation. Hegel’s desire for recognition or Plato’s *thymos* is not necessary to explain how individuals behave either in politics or on the market; the assumption that an individual tries to reach preferred positions given his own preferences is simpler, more general, and more fruitful. Also note that, notwithstanding Fukuyama’s categorization, libertarians do not fit well on either side of the traditional left-right political spectrum.

The economics underlying *The End of History* is often questionable. The author overestimates the economic capabilities of the state in general and of less liberal states in particular. Following the mood of his times, he feared the “economically dominant Japan,” with its more traditional culture. It is not true that external trade deficits need to be “managed”; each individual or corporate body can efficiently take care of its own trade deficit. It is generally recognized that, to produce economic growth, science is not sufficient but needs some enabling institutions based on individual liberty and economic freedom. (See “From the Republic of Letters to the Great Enrichment,” Summer 2018.)

Fukuyama’s model of the state ignored how the democratic state behaves in practice, as opposed to implicitly assuming that it is manned by angels. Over the last three-quarters of a century, the public choice school of economic analysis has thrown much light on how democracy actually works. For example, an ordinary individual’s participation has virtually no chance of influencing democratic

## IN REVIEW

outcomes, which is why most individuals remain rationally ignorant of political issues. Moreover, voters are offered complex baskets of policies that are difficult to understand and whose total effects are unpredictable. Organized interest groups are more efficient at collective action and at rent-seeking (obtaining privileges at the detriment of others). In this context, politicians and bureaucrats can exercise much discretionary power.

Fukuyama seemed to recognize the danger of Leviathan without naming it, but he minimized the possibility that it could arise internally under his liberal-democratic state. Individuals, he writes, “demand democratic governments that treat them like adults rather than children.” He did not seem to realize how different the current reality is from that principle. Current democratic states often do tell their citizens “how they should live, or what will make them happy, virtuous, or great.” For example, modern democracies don’t only “criticize” smoking habits, they tightly regulate where adults may smoke, tax their smoking products, and forbid “private” entertainment venues to accommodate smokers. They have even defined vaping products to be tobacco products though they do not contain tobacco. Many other non-boring adult activities are tightly regulated or forbidden.

**The aggregation problem** / Another aspect of Fukuyama’s idealistic democracy is what has become known as the aggregation problem. It contradicts the too-simple idea that “democratic procedures” should “reflect the will and the true self-interests of the people.” What are the interests of the people given that “the people” is comprised of many individuals, each with his own preferences, values, and thus interests—except for some abstract and limited common interest? Fukuyama seems to simply assume that preferences and values can be aggregated easily over individuals, that “the political choices that are made by populations” are unambiguous. He does not seem cognizant of the demonstration, made by Nobel economist Kenneth Arrow and others, that, given some reasonable assumptions, the results of democratic

voting are incoherent. (See “Populist Choices Are Meaningless,” Spring 2021.)

**Shaky ethical foundations** / The second broad problem with Fukuyama’s 1992 book lies in its fragile normative foundations, which differ from those of the main schools of classical liberalism, notably the Scottish enlightenment represented by such thinkers as Adam Smith and David Hume. Fukuyama’s thesis on democracy relies heavily on Hegel, an idealist philosopher who was not a democrat and whose liberal credentials are questionable at best. Popper considered him to be one of the main enemies of the open society, who “links Platonism with modern totalitarianism.” Hegel worshipped the state as “the Divine Idea as it exists on earth” and “the Spirit of the People itself.” He is, wrote Popper, a “charlatan” as much as an “indigestible writer.”

In some ways, Fukuyama’s concern with the moral underpinnings of liberal democracy resembles that of James Buchanan, the 1986 Nobel economics laureate. Buchanan, who was one of the founders of the public choice school of economics, was also a major political philosopher. (See “An Enlightenment Thinker,” Spring 2022.) The normative ideal that underlies *The End of History* would strain credulity less if, instead of relying on Hegel, it had borrowed from Buchanan’s ethics of reciprocity between equals, which is also an ethics of enlightened self-interest. Buchanan’s theory provides a contractarian foundation for constitutional (that is, limited) democracy where individual (all individuals’) consent is the ultimate political criterion. *The End of History* did not even mention Buchanan.

In a 2019 afterword to *The End of History*, Fukuyama added a new threat to liberal democracy: populism, defined as “a rejection of the liberal part of liberal democracy.” He also forewarned of “the return of geopolitical competition from a newly assertive Russia and China.” Interestingly, he argues that as the world evolves toward liberal democracy, governments that represent it should proclaim its ethics and not yield to cynical “realism” in foreign policy.

## LIBERALISM AND ITS DISCONTENTS

To find out how Fukuyama’s thought has evolved since 1992, a detailed analysis of his intervening work would be necessary. I will take a shortcut and only review *Liberalism and Its Discontents*, which focuses on the dissatisfactions that have become more obvious in liberal democracies. This book corrects some of the weaknesses of *The End of History*, but not all of them.

To his credit, Fukuyama has become more economically literate. Hayek has found his way into Fukuyama’s thinking, although the Nobel economist is misleadingly characterized as having a “normative preference for a minimal state.” Hayek would undoubtedly oppose Fukuyama’s expansive democracy, but his model state cannot meaningfully be characterized as “minimal.” Buchanan’s 1962 book with Gordon Tullock, *The Calculus of Consent*, provides some matter for a section in one of Fukuyama’s intervening books, but Buchanan is absent from *Liberalism and Its Discontents*.

We can probably look at Fukuyama as one of the enlightened members of the political establishment that has been reigning in the West over the past several decades. He knows the difference between classical liberalism and what is labeled “liberalism” in America. He is not afraid of criticizing the political left as much as the right. But he still ignores much of the economic and political tradition of classical liberalism, at least in its Anglo-Saxon version.

Fukuyama seems obsessed with material equality, which does not contribute to his originality. Redistribution is needed to correct “the inequality produced by market economics.” “Social policies should seek to equalize outcomes across the whole society”—a very strong statement, although attenuated by the admission that many factors that generate inequality “are well beyond the ability of policy to correct.” He often seems to neglect the difference between the formal equality of the rule of law and material equality imposed by the visible fist of the state. His attachment to the French Revolution, where he admits that equality rapidly overtook liberty, is a symptom of this neglect.



**Peculiar doctrine of neoliberalism** / In *Liberalism and Its Discontents*, Fukuyama launches a frontal attack against “neoliberalism,” which he deems to be the libertarian exaggeration of classical liberalism. He defines libertarianism as “a peculiar doctrine founded on hostility to government as such.” Some libertarians fit this description; others are only hostile to the Leviathan that has grown under the watch of the current intellectual and political establishment. He argues that “classical liberals need to acknowledge the need for government and get past the neoliberal era.” Libertarians should take notice of this criticism, but Fukuyama should understand that the “neoliberal era” he criticizes never happened except in the fantasies of statists of all stripes. His related musings are not the best part of his analysis.

In fact, it is surprising and disappointing to see a sophisticated, curious, and critical philosopher buy wholesale the canard of an era of wild deregulation and blame it for problems that, on the contrary, arose from galloping regulation and state controls that have been quantitatively and qualitatively observable over the last several decades, if not over more than a century. It is also strange to hear a theorist of directional history (as he was in *The End of History*) invoke the popular cliché of the swing of the political pendulum, as if the United States and other Western countries had gone back and forth from regulation to deregulation, between liberty and a soft tyranny à la Tocqueville.

With a few exceptions like freedom of speech (to the benefit of the chattering classes but also of liberty in general), the past several decades have witnessed growing regulation. Just consider the quantitative growth of federal regulation in the United States. The last available version of Reg-Data (developed by Patrick McLaughlin at George Mason University’s Mercatus Center) shows that, from 1970 (the first year the database is available) to 2021, the number of restrictions and obligations (estimated by searching for the words “shall,” “must,” “may not,” “required,” and “prohibited”) contained in the *Code of Federal Regulations* (CFR) has gone from less than 500,000 to

more than 1.3 million, with infrequent and only temporary breaks in the trend. To use another measure, the number of words in the CFR has increased from 33.6 million to 100.3 million over the same period. There is little doubt that the trend has been similar in local and state regulations.

In fairness, there was a slowdown in regulation *growth* after the stagflation of the 1970s as well as at the end of the 1990s. Another slowdown is clearly visible starting in 2019, but it appears already over. Over the whole period, actual reductions in the total volume of regulation occurred in four years only and were rapidly overrun by a return to trend.

Like many casual observers, Fukuyama is under the impression that financial deregulation was a cause of the 2008–2009 Great Recession, if not *the* cause. In reality, there had been little financial deregulation in America apart from liberalizing some of the anachronistic banking regulations that did not exist in other developed countries. Among these were government control over interest paid on bank deposits, the coercive separation of commercial and investment banking, and restrictions on branching. A telling example given by Stanford University economist John Taylor is that, before the Great Recession, the New York Fed had “hundreds of regulators on the premises” of large banks.

The author of *Liberalism and Its Discontents* also ignores that the 2008–2009 crash originated in the residential mortgage market, where close to 50% of mortgage loans were already guaranteed by federal agencies (often created in the 1930s). Moreover, mortgage-backed securities (mortgage securitization) had been a proud creation of one of those agencies, Ginnie Mae, in 1970. Banks were under political and legal pressure to sell mortgages to low-income borrowers. In 2003, Rep. Barney Frank (D-MA) echoed a redistributionist idea popular in federal circles: “I would like to get Fannie and Freddie more deeply into helping low-income housing and possibly moving into something that is more explicitly a subsidy. ... I want to roll the dice a little bit more in this situation towards subsidizing

housing.” They did roll the dice, and we saw what turned up.

**A more realistic model** / The private economy is not nirvana, but neither is state intervention. In *Liberalism and Its Discontents*, Fukuyama still entertains an idealistic model of the state. He shows little awareness of public choice economics and how the democratic state really works.

For example, it is not because a state is democratic that it will necessarily promote equality. Ways in which the American state (the whole structure of American governments at all levels) has been working *against* equality is documented by Jonathan Rothwell’s book *A Republic of Equals*. (See “The One-Percenter State,” Spring 2020.) These ways include not only supporting slavery until the Civil War and segregation long after, but also, more stealthily, zoning laws, the war on drugs, anticompetitive privileges to business professionals, occupational licensure, restrictions of individual investors’ access to hedge funds, business support and protectionist privileges, as well as the overarching protection of intellectual property. Rothwell suggests that if these restrictions to free exchange did not exist, current income inequality would fall by half.

“Democracy,” Fukuyama tells us, “refers to the rule by the people” and expresses “the will of the people.” Interestingly, this characterization is typical of populism, which he otherwise criticizes. He continues to ignore the problem of preference aggregation—that is, how electoral processes can coherently represent the diverse preferences and values of voters.

It is true that Fukuyama now clearly admits the necessity of constraining democracy: “No *liberal* democracy grants untrammelled power to democratic majorities” (his emphasis). Indeed, he points out, the American founders “designed a complex system of checks and balances to limit full democratic choice.”

But how can we square this with the idea that democratic majorities can be called to pronounce on deep matters of peaceful individual choice? Fukuyama suggests that

“the trade-off between consumer welfare and intangible goods ... should be open to democratic choice.” There is no reason, he explains, “why economic efficiency needs to trump all other social values,” a moot point when one understands that economic efficiency is simply a way in which voluntary exchange reconciles, without coercion, the preferences and values of all individuals.

As an example of desirable democratic choice, Fukuyama proposes the primacy of work over consumer welfare. The question is whether “human beings” are “consuming animals” or “producing animals.” “This is a choice that has not been offered to voters under the hegemony of neoliberal ideas.” The absurdity of putting such a choice before voters is easily shown by imagining a referendum that would ask “the people”: “What animal do you (or we) want to be, a consuming animal or a producing animal?” Ask yourself what would be the meaning of  $X\%$  ( $<100\%$ ) deciding one way or another. “We are all producing animals and now get back to work!” More realistically perhaps, we may imagine complex baskets of practical policy measures and electoral promises related to such a choice and proposed to the rationally ignorant voters, who would understand the consequences of the measures even less than their proponents. The only liberal solution, of course, is to let each individual decide for himself what sort of animal he wants to be, given the *impersonal* constraints generated by the equally free choices of all other individuals.

An interesting example of the importance of limiting the *scope* of democratic decisions was suggested by a mention of Donald Trump in *The End of History*. Here is somebody who found on the free market an outlet for his *megalothymia*: he became a real estate developer. But Fukuyama himself wondered whether the most thymotic natures will remain “satisfied with metaphorical wars and symbolic victories.” Why not real political domination? With hindsight, we can complete Fukuyama’s story: not satisfied to be rich, famous, and president of Trump University, Trump decided to get real power and become president of the United States.

**Individual consent among equals** / Fukuyama continues to correctly believe that national identity threatens liberalism when it takes an exclusive form, ethnic for example. But a national state, he adds, is also an opportunity when it embodies a social contract that defines the boundaries of citizenship and is strong enough to protect liberalism against external enemies and internal threats. This viewpoint deserves a hearing.

However, the idea of a liberal social contract as expressed in *Liberalism and Its Discontents* remains confused or at least indeterminate. We sense that Fukuyama’s thinking on this topic has not advanced much since *The End of History*. How can a social contract exist? How can it be unanimous as the very concept of contract implies? Fukuyama would badly need Buchanan to answer such questions, but the philosopher and Nobel economist is conspicuously absent from the new book. Fukuyama’s attempt at conceptualizing a liberal social contract without the notion of individual consent among equals, as in Buchanan’s theory, is a mission impossible.

The author of *Liberalism and Its Discontents* identifies political gridlock and “vetocracy” as a major political problem in the United States. Although this diagnosis may seem obvious, it clashes with the essential idea of a social contract—emphasized in Buchanan’s work—where each individual, through his capacity to refuse his consent, does have a veto at the abstract level of agreeing on fundamental rules. The individual’s theoretical veto is echoed in a practical structure of checks and balances. A social contract agreed to by rational individuals would certainly include rules favoring gridlock when the alternative amounts to Leviathan violating the contract. Buchanan’s constitutional political economy would be very useful to Fukuyama.

**Repressive tolerance** / *Liberalism and Its Discontents* criticizes the left more virulently than *The End of History* did. The leftist fringe attacks liberalism’s “underlying premises.” Liberalism is turning against itself.

Philosopher Herbert Marcuse argued

that liberalism is nothing but “repressive tolerance.” Identity theories ended up replacing individuals with groups as the focus of political attention and finally dispensed with individualism altogether. In the meantime, postmodern theorists such as Michel Foucault preached cognitive relativism—that is, the relativity of truth itself. Language creates reality and is an instrument of power. Individuals “are shaped by social forces over which they have no control,” as Fukuyama paraphrases the enemies of liberalism. Knowledge is rooted in lived experience and emotion. He quotes feminist writer Luce Irigaray, who argued that solid mechanics is “a masculine way of looking at the world” compared to the feminine way of “fluid mechanics.”

We may wonder how these theorists can themselves escape the social forces on which other individuals have no control. We are back to Plato’s philosopher-king at best or, at worst, since universal values are also negated, to Friedrich Nietzsche’s “will to power” or, more perverse, Nazi jurist Carl Schmitt.

Fukuyama accepts the crucial liberal idea that no agreement can be required on ends. Hayek would say that social peace and efficiency require that each individual pursue his own ends, within wide and impersonal constraints. But doesn’t Fukuyama want democratic choices to determine some ends (besides the maintenance of a context of free individual choices)? As we saw, he approves of a wide range of democratic interventions, such as whether individuals really want to produce in order to consume instead of the other way around.

He also wants antitrust laws to prevent the “private power” of media organizations and internet platforms. Doesn’t interfering with freedom of speech imply that individuals have to agree on ends? Besides, no corporation or social network can maintain market power if it is not protected from competition by government regulation. Remember MySpace, once the largest social network, purchased by News Corporation for half a billion dollars in 2005?

Fukuyama observes that large internet

platforms have fueled the virality of false news and the decline of rational discourse in favor of raw feelings, emotions, and group identity, both on the left and right. He notes the creation of fantasy worlds such as QAnon. Social media have amplified the cancel culture. He suggests that not all voices are equal in the marketplace for ideas, *as if they were equal in election campaigns and political processes generally!* The ideal state strikes again.

Barring open mob violence, the main danger of irrational opinions is that they will translate into democratic votes and state coercion. The problem lies more in the excesses of democracy than in free speech as such. Reinforcing “state capacity” (a buzzword that Fukuyama echoes) would deepen the peril. Americans and citizens of other rich Western countries don’t suffer from too little democracy, but from too much democratic power.

Fukuyama opines that, contrary to what happens on the right, “very few people on the left are toying with the idea of overtly authoritarian government.” Instead, he claims, “the extreme left tends to be anarchist rather than statist.” With due respect to the scholarly author, this is a tragic illusion. They are anarchists only to the extent that the consequences of their idealistic system would satisfy their wishes, which is anyway impossible because the comrades have different ideas on the ideal results. The different political ends they are pursuing can only be imposed coercively on others by the state or the mob.

**Real liberalism?** / *Liberalism and Its Discontents* argues that neither extreme of the left or right “proposes a realistic alternative to classical liberalism, but both have been able to chip away at liberal ideals and to discredit those who seek to maintain them.” He is right, but we can go further: the unstable and moving extreme center on the reductionist left-right spectrum is not attractive either. Perhaps we should try real classical liberalism?

The main problem with both books is that, besides Hegel’s baggage, they carry much of the baggage that the intellectual

and political establishment has accumulated: a longing for an idealistic democratic state, which economic analysis shows to be unrealistic, and a growing incapacity to consider that, in the political realm, some form of unanimous consent, not a numerical majority, is the proper normative criterion.

In short, I would suggest that Fukuyama is too democratic and not liberal enough, even if *Liberalism and Its Discontents* marks an improvement over *The End of History*. The “big tent” of his liberal democracy hosts people who are democrats before being liberals.

No wonder the system is unstable and on the verge of authoritarian drifts. R

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## The Story of the Virginia School

◆ REVIEW BY ART CARDEN

C.S. Lewis’s “Screwtape Proposes a Toast” is one of my favorite pieces of literature. In it, we learn about the cunning subtlety with which societies can be undone by the mere redefining of words. Lewis illustrates this with “democratic,” which becomes corrosive when the *demos* resents difference and sanctifies envy. In our

age, applying “undemocratic” to Jeff Bezos or Bill Gates (or the success of the enterprises they started) is this kind of corrosion.

An anodyne definition of democracy simply sees it as a set of decision-making institutions involving majority rule. The Virginia school of political economy’s definition—“government by discussion”—follows their intellectual lodestar, University of Chicago economist Frank Knight, and is a valuable complement.

In *Towards an Economics of Natural Equals*, David Levy and Sandra Peart explore the roots of Virginia political economy and the radical egalitarianism of James M. Buchanan and his contemporaries. The book is a thought-provoking treatment of 20th century economic thought or even of “neoliberalism,” and economists and intellectual historians interested in how we got here would do well to add it to their bookshelves.

**Ford Foundation rejection** / *Towards an Economics of Natural Equals* is an extension of Levy and Peart’s broader project on the history of economic thought. It is a natural companion to their 2017 book *Escape from Democracy: The Role of Experts and the Public in Economic Policy*. (See “The Discontented Animal,” Summer 2017.)

The authors dive into the history of Buchanan’s ill-fated effort to secure funding from the Ford Foundation to support his Thomas Jefferson Center for Studies in Political Economy at the University of Virginia. The outcome was depressing: the foundation (and administrators at the University of Virginia) seemed to think that Buchanan, Warren Nutter, Ronald Coase, and others in the Virginia and Chicago schools were reactionary right-wing zealots rather than scholars and economic scientists. The irony, Levy and Peart point out, is that by denying the grant request



## IN REVIEW

and hindering the Jefferson Center, the Ford Foundation made economics more monolithic rather than less.

One of the significant differences between more conventional economic approaches and the Chicago and Virginia approaches emerges from the correspondence between Buchanan and the Ford Foundation's Kermit Gordon. Levy and Peart write, "Knight, Buchanan, and their followers did not take group goals as exogenously determined." Elsewhere, group goals were assumed and exogenous: Maximize economic growth. Reduce economic inequality. Internalize externalities. Of course, the Virginians had their normative commitments, but their scientific program emphasized the importance of "substantial consensus" of *individuals*. Economists, in their view, had a modest role: instead of engineering and fine-tuning incentives at the micro level or aggregate expenditure at the macro level, they were to be students of society who limited themselves to identifying and perhaps recommending feasible options.

**Knight's influence** / As I read *Towards an Economics of Natural Equals*, I drew two conclusions. First, while what was happening in Charlottesville was undoubtedly distinct, the road to Charlottesville led straight from Chicago and specifically from Knight. It is, of course, very well known that Knight was Buchanan's mentor, but Peart and Levy trace the specifically Knightian themes that pervade the Virginia approach. They get right to the point on page 1 by quoting a letter from Nutter to Coase trying to tempt Coase into joining them in Charlottesville:

We have, I think, the makings of what could be a rather interesting little group in Buchanan, [Rutledge] Vining, and myself—all solid Chicago products who did our lessons in Knight well. We have in mind trying to build a rather distinctive little "school," since we cannot hope—nor do we much care—to diversify in the grand manner of the giants of our profession. With studied diversification,

we could be at best a third-rate faculty. Following the other track we may be able to do a useful job and to collect an interesting faculty and student body.

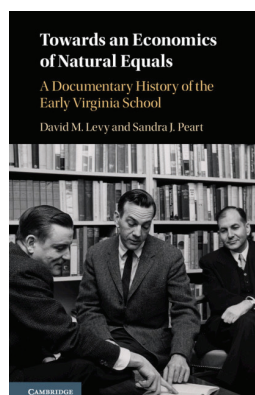
Second, they show that Knight is the crucial link between Buchanan and the philosopher John Rawls. Levy and Peart make creative use of Rawls's copy of Knight's *The Ethics of Competition* to establish the connection. Rawls had taken Jacob Viner's course at Princeton and shared with Knight an appreciation for the "ideal of democratic discussion."

**Economists' work** / Levy and

Peart show that contrary to those who might think of Virginia as just Chicago economics applied to politics, the Virginians developed a distinct tradition, albeit one rooted in the Chicago economics of Buchanan, Nutter, and Knight. Buchanan, Nutter, Gordon Tullock, Coase, and others swam against the intellectual tides within the economics profession.

To many economists, economics is about the care and feeding of the weak and slow-witted. If only implicitly, interventionism assumes economists are among a cadre of intellectual and moral elites blessed with the wisdom to run others' lives. Over the last couple of decades, the rising popularity of behavioral economics has arrived at the same conclusion. To policymaking 20th century economists, people were too rational. They would free ride all over the place, and hence markets would fail to reach an optimal outcome. To the behavioral economists of the 21st century, people aren't rational enough. They require the gentle hand—or occasionally the mailed fist—of the state to nudge them toward what is good for them.

Along these lines, the Virginia economics of natural equals emphasizes fairness



***Towards an Economics of Natural Equals: A Documentary History of the Early Virginia School***

By David M. Levy and Sandra J. Peart

308 pp.; Cambridge University Press, 2020

rather than benevolence. It's a point Buchanan made in his paper "The Samaritan's Dilemma": if we subsidize indolence, we get indolence. However, there is more than mere puritanical bootstrapist exhortations to get a job. Buchanan asks whether we are treating people properly: by being benevolent rather than fair, he and the other Virginians wondered whether we are treating the beneficiaries as *equals* or if we are treating them as something subhuman, like pets. The interventionist assumes he is his beneficiary's superior. This lays aside the question of whether short-run benevolence is long-run beneficence.

We might solve an immediate problem in the short run, but at the cost, perhaps, of creating more problems in the long run.

**Neoliberalism** / All in all, the Virginians have a pretty good track record. One of the most controversial products of the Virginia school was Nutter's study of industrial production in the old Soviet Union. He went against the grain: the professional consensus was that the USSR was growing rapidly and that centralized control of the means of production could lead to a thriving, high-income economy. (In their earlier book *Escape from Democracy*, Levy and Peart tell the fascinating tale of how the myth of a productive USSR persisted in economics textbooks until the system collapsed.) Nutter disagreed and argued that the Soviet economy was something of a basket case. The only consumer goods sectors that seemed to thrive, or for which the goods available to Soviet consumers were comparable to those available to American consumers, were those that overlapped considerably with Soviet militarization.

Levy and Peart situate the Virginia school within the broader "neoliberal" movement and address several important

topics that, I think, can use corrective analysis by people (like Levy and Peart) who know not only intellectual history but also economic theory. They explore Nutter and Buchanan's controversial-though-it-probably-shouldn't-be essay "The Economics of Universal Education" and situate it within Buchanan's longer-term thinking about race. (He would later repudiate his support for vouchers because he believed they would undermine the fairness that would emerge from integration.) They trace Tullock's ideas about the progress of knowledge to Karl Popper's lectures at Emory University in 1956, before Tullock

got involved with Buchanan and the Virginians.

The "new history of capitalism" is producing a steady stream of books and articles purporting to identify the unsavory origins of 20th century free market economics. (See, for example, Nancy MacLean's *Democracy in Chains* and Lawrence Glickman's *Free Enterprise*.) Levy and Peart offer a corrective that has the twin virtues of being non-conspiratorial and getting the economic analysis right. *Towards an Economics of Natural Equals* is indispensable reading for people interested in 20th century economic ideas. **R**

difficulty separating *facts* from *faith*, reality from the way they would like things to be. Critical research topics have become taboo, which, in turn, means that policy makers are making decisions based more on ideologically driven political pressure than on scientific fact.

**Politics or perish**/ How has science so badly lost its way? Both government and university efforts at "helping" science have managed to distort incentives and inject non-scientific concerns.

As Staddon explains, in older times scientists were not under pressure to get publishable results. Most worked independently and often found that their conjectures were not borne out by the facts. No problem; they had learned that something wasn't true and would then go on to other hypotheses. Today, however, scientific researchers need to publish papers that will generate acclaim if they want to advance up the academic ladder and get government grants for future papers.

Staddon observes, "But it is not just scientific discovery that is at stake; *repeated failure is not compatible with career advancement* and science is now for most scientists a career, not a vocation." Therefore, researchers are driven to look for topics to investigate and use methods that they are confident will yield results. But what is good for research careers is not necessarily what leads to the most vital research.

Moreover, a substantial amount of published research is motivated by the desire to publish as much as possible without regard to the merits of the work. In scientific publishing (and this seems to be especially true in the social sciences), there is a term, "Least Publishable Unit" (LPU), that refers to the smallest amount of data that can be turned into a paper. Researchers are motivated to crank out LPU papers even though they have

## Ending Science's Retreat

REVIEW BY GEORGE LEEF

Science depends on a liberal environment where the freedom to experiment, research, and debate the meaning of results is protected. This requires that government, church, and educational institutions refrain from interfering in the process of science. That has largely been the case for the last several centuries, but

Duke University psychology and neurobiology professor John Staddon worries in his new book *Science in an Age of Unreason* that the United States is retreating from the liberalism that catalyzed so much scientific progress. Powerful forces that dislike the neutrality and objectivity of science threaten to take us back to earlier times when it was more important to enshrine certain beliefs than to allow free-wheeling research and discussion.

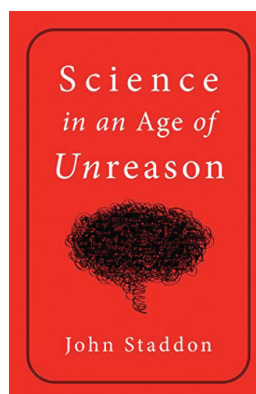
If you doubt this retreat is occurring, think about the way officials in the United States (and many other countries) reacted to COVID. Doctors and medical researchers were told not to dissent from government pronouncements about vaccines, masks, and treatments. For example, rather than engaging with skeptics such as the epidemiologists who wrote the "Great Barrington Declaration," National Institute of Allergy and Infectious Diseases director Dr. Anthony Fauci and others sought to

discredit them immediately. That is not the way of science, but the way of autocracy. Galileo would have understood just how the Great Barrington authors felt after the federal government dismissed their work and denigrated them.

Staddon argues that science is in dire straits in America because of the way it has become politicized. Many topics are now "off limits" because their exploration might offend politically important groups. Science should be dispassionate, but in the modern university passion often carries the day.

He writes:

Weak science lets slip the dogs of unreason: many social scientists have dif-



*Science in an Age of Unreason*

By John Staddon

286 pp.; Regnery Gateway, 2022

## IN REVIEW

only infinitesimal knowledge value.

Another result of the perverse incentives created by government policy is the great surplus of students getting advanced degrees in science. We are training more scientists than there are jobs for, with the result that many wind up, Staddon writes, “simply as poorly paid help” for research professors. Eventually, most give up and find some other career only after spending many years and lots of money on a doctorate.

To make matters worse, the mania over “diversity” has infected science. Among the

the social sciences have been thrashed to a bloody pulp. Many subjects can no longer be investigated because they are “too sensitive” and scholars risk censure or even loss of jobs if they say anything that offends certain groups.

Consider, for example, a case at Staddon’s own university. In 2011, a trio of researchers (two economists and one sociologist) published a paper that found that students admitted under racial preferences at Duke were far more likely to shift out of more academically demanding majors and into less demanding ones.

The conclusion was that preferences add to the student body many who struggle in competition with those admitted strictly on their merits, and

the former compensate for this by gravitating to easier majors.

These findings were important, but they could not be discussed objectively because they offended vocal black student groups. Duke’s president issued a statement in which he denounced the professors for “disparaging the choice of majors by African-American students.” Yet, the paper had not disparaged anyone, but merely reported facts. Facts are what science and education are supposed to be about and reporting on them is the essence of academic freedom. Instead of upholding science, however, Duke chose to appease the students, who were, Staddon writes,

treated like infants. They were pandered to, conciliated—not educated. And the cry for censoring this kind of research was tolerated rather than refuted. This is now the prevailing pattern in academe.

**Activism and academia/** Universities today are full of academic disciplines that make almost no pretense of objectivity, with faculty members who proudly announce their commitment to social change. Activism is far more important to them than the search for truth and their teaching

does more to indoctrinate than enlighten students.

We have, for example, “Whiteness Studies” that are grounded not on verifiable facts but on dubious conjectures such as the existence of “white logic.” Many campuses have hosted University of Washington education professor Robin DiAngelo, author of the book *White Fragility*. Staddon argues that her book is just an elaboration upon claims that have no empirical backing.

We also find many professors arguing that American society and universities are beset with “institutional racism.” But when challenged to prove their assertions, they retreat to shabby intellectual dodges and circular arguments. Any professor who suggests that racial disparities might be caused by factors other than racial discrimination is apt to find himself labeled a racist and accused, like the Duke trio, of attacking the university’s “values.”

Another of the bad trends unleashed by unreason is the way that scholars can now advance their careers by launching personal attacks on others, attacks that are based on misrepresentations of their work. Staddon points to the egregious case of Duke history professor Nancy MacLean, whose book *Democracy in Chains* garnered great acclaim but is intellectually dishonest in its portrayal of Nobel economics laureate James Buchanan. (See “Buchanan the Evil Genius,” Fall 2017.) Scholarly accuracy can now be dispensed with when the target is someone who “progressives” want to cast into disrepute, whether the field is history, science, medicine, or any other.

Staddon is also alarmed that scientists appear to be willing to accept the suppression of their results if anyone expresses fear that some elements of society can’t handle the truth. In other words, science should remain silent “on the basis of a necessarily inexact assessment of social bias.” The scientific search for truth will suffer badly as its longstanding commitment to free inquiry erodes.

**Conclusion /** In a particularly memorable chapter, Staddon argues that we are entering a new era of Lysenkoism. Trofim

**Scholarly accuracy can now be dispensed with when the target is someone who “progressives” want to cast into disrepute, whatever the field of study.**

examples Staddon gives is the “Alliance for Identity-Inclusive Computing,” which is justified by the supposed necessity of reducing the percentage of “white and Asian, able-bodied, middle to upper class cisgender men” in the field of computer science. This program takes that goal as self-evidently good without the slightest attempt to provide a scientific basis for it.

**In service of politics/** Staddon next turns to several current controversies where science has been dragooned to convince people of the need for government action. For instance, we are told repeatedly that there is a scientific consensus that the climate is warming dangerously because of human activity and dramatic policies are necessary to combat this change. The trouble, he argues, is that (1) consensus is irrelevant because scientific conclusions don’t depend on numbers, and (2) there remain legitimate arguments over the data on warming and what policy responses should result. Sadly, many scientists have turned their backs on the spirit of science, finding it easier to go along with politically popular beliefs than to pursue the truth.

If the hard sciences have taken a beating at the hands of progressive ideologues,



Lysenko was a Soviet agronomist and biologist during the Stalin era. He was a poor scientist, yet he became director of the Institute of Genetics within the USSR's Academy of Sciences—not because of any scientific achievements, but because he was from a proletarian background. (The Soviets had their own version of affirmative action.) His views on genetics and agriculture became the party line and scientists who challenged them were subject to punishment. The problem was that Lysenko was completely wrong and governmental policies based on his notions proved to be disastrous.

We are entering our own period of Lysenkoism, Staddon fears. Those who

espouse politically correct narratives get ahead while those who challenge them are ignored or censored.

The “age of unreason” is spreading to more and more areas of life. One topic that Staddon briefly alludes to at the book's end is medicine, where—as we've witnessed during the COVID frenzy—freedom of speech and action by medical professionals has eroded in the face of official demands to conform to “accepted” views. Under today's conditions, the realm of science will steadily shrink, to the long-run detriment of everyone.

This is a very timely book. If science is forced to continually retreat in the face of political pressure, our future is bleak. R

## An Easy Path for the Strongman-To-Be

REVIEW BY PIERRE LEMIEUX

In his new book *The Age of the Strongman*, *Financial Times* columnist Gideon Rachman argues that we have entered the age of the strongman and we can expect it to continue for a couple more decades. I did not find a formal definition of “strongman” in the book, but the reader gets the idea: it is a government ruler who concentrates the power

of the state in his person—or tries to—to the detriment of the rule of law; he also claims to embody the people. The book's subtitle, *How the Cult of the Leader Threatens Democracy around the World*, emphasizes the cult of personality that is built around strongmen.

Rachman relies on the idea that swings in politics last about three decades, followed by a change in direction (a bit reminiscent of the eternal return in ancient myths). So, for instance, the power of the democratic state grew from the end of World War II until the 1970s. Then, spurred by stagflation, the democratic majority got tired of the growth in government power, resulting in three decades of government in retreat—or so Rachman argues. Helped by the Great Recession, changing democratic majorities then brought about the

age of the strongman around 2010. But why didn't the powerful democratic state return (assuming it was ever in retreat), instead of strongmen taking over? I will come back to this question later.

“As a result of this international movement towards personalized politics,” Rachman argues, “it has become harder to maintain a clear line between the authoritarian and democratic worlds.” I'll also come back to the question of the extent to which the democratic world was really non-authoritarian.

For now, let's focus on what Rachman's book is built around: interesting portraits of the strongmen who have appeared in the 21st century, not only in countries with new or potential democracies, but often in old democracies too.

**Gallery of rogues** / Strongmen share many common traits. They claim to embody the “will of the people,” and they clash with political, legal, and private institutions that limit their power. They are nationalists. They often present themselves as defenders of religion despite their frequent personal impieties and moral flaws. Toughness (if not cruelty) is an important part of their image. They are liars or ignoramuses or both.

Their degree of power covers a vast spectrum, from Xi Jinping in China, Mohammed bin Salman in Saudi Arabia, and Vladimir Putin in Russia at one extreme, to Donald Trump in America and Viktor Orbán in Hungary at the other. Many others can be found between the two extremes, such as Narendra Modi in India, Jair Bolsonaro in Brazil, Rodrigo Duterte in the Philippines, and Recep Tayyip Erdoğan in Turkey. Each strongman's exact position along a power axis is, of course, a debatable matter because political power is a multidimensional phenomenon.

The author of *The Age of the Strongman* presents Putin, who came to power in 2000, as “the archetype and the model for the current generation of strongman leaders.” Putin's image was crafted to present him as a savior-hero who would restore Russian greatness. After the invasion of Crimea, Rudy Giuliani, Trump's future lawyer, gushed of Putin, “That's what you call a leader.” Many other populists admire the president of Russia.

On the use of often contradictory lies by Putin (and other strongmen), Rachman writes,

Vladimir Putin and his propagandists established the technique of a “fire-hose of falsehoods” as a fundamental political tool. The idea is to throw out so many different conspiracy theories and “alternative facts” (to use the phrase of Trump's aide, Kellyanne Conway) that the truth simply becomes one version of events among many.

The fact that *The Age of the Strongman* was written before the February 2022 full-

## IN REVIEW

scale invasion of Ukraine illustrates the shrewdness of Rachman as an observer of the international scene.

Erdoğan became prime minister of Turkey in 2003. After a failed coup in 2016, he launched a multifaceted campaign against civil liberties, canceling the passports of 50,000 people, sacking 4,000 judges and prosecutors, closing more than 100 media outlets, and jailing many political opponents. Turkey has become more like what it was in 1903 when Émile Faguet, the French Academician and classical liberal, wrote that Jean-Jacques Rousseau's philosophy aimed at organizing society so that individuals "would be more oppressed than in Turkey."

In 2012, Xi took power in China. Five years later, the Chinese Communist Party's constitution was amended to reference his political ideas, whose study is now mandated for party members, students, and employees of state corporations. He has brought Hong Kong under Beijing's control and arrested many democratic activists. He rules with a strong hand and Orwellian surveillance. To perpetuate his regime, term limits on the presidency were repealed in 2018. Xi declared that "China must never follow the path of Western constitutionalism, separation of powers, or judicial independence."

Just before the 2014 election that brought Modi to power, Rachman wrote in the *Financial Times* that "India needs a jolt and Modi is a risk worth taking." He now recognizes his error but, regarding the insidious ways of tyranny, few people can cast the first stone at him. Many thought the same about Trump. (See "You Didn't See It Coming," Winter 2018–2019.) Although India is known as a democratic country—the largest democracy in the world—its supporting institutions have weakened under Modi's Hindu ethnicism and nationalism.

In 2010, Orbán became prime minister of Hungary, a member of the European Union. Since then, as Rachman notes, he has been "steadily eroding the country's independent institutions as he brought the courts, media, civil service, universities and cultural institutions under the con-

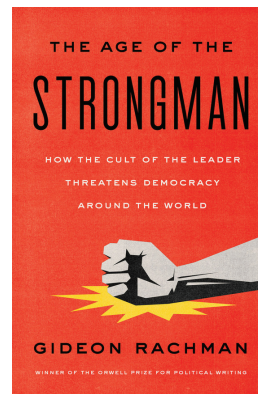
trol of his party, Fidesz." He forced the European Central University, a private institution financed by his former countryman George Soros, to move out of Hungary. His government is under European Union sanctions for undermining democracy. He said Putin had "made his country great again." One interesting fact about Orbán is that he is not ashamed to say he embraces "illiberal democracy."

Duterte, who was president of Philippines until recently, boasted of personally killing people. "While Trump once joked that he could shoot someone on Fifth Avenue without losing voters," notes Rachman, "Duterte actually put the theory to the test."

Bolsonaro was elected president of Brazil in 2018. He may not be as blunt as Duterte, but he defended the use of torture by the military. According to "a prominent economist" quoted anonymously by Rachman, Bolsonaro is "just like Trump, only stupider."

Elected president of Mexico the same year, Andrés Manuel López Obrador, *dit* Amlo, is a leftist strongman. Just like Bolsonaro and Trump, as well as Benjamin Netanyahu in Israel, Amlo tends to see election fraud whenever he does not get enough votes. Rachman correctly observes that the populist right and the populist left are linked by "a shared suspicion of free trade and liberal economics"—although we still have to see what the *Financial Times* columnist means by "liberal economics."

Trump tried to follow the strongman's playbook, but he could not grab enough power to pursue his ambitions, at least so far. He and his inner circle envy those who have. Steve Bannon, Trump's campaign manager in 2016, hailed Orbán as a "hero." Trump's ambassador to Hungary is quoted as saying that the 45th president "would love to have the situation that Viktor Orbán



*The Age of the Strongman: How the Cult of the Leader Threatens Democracy around the World*

By Gideon Rachman

288 pp.; Other Press, 2022

has, but he doesn't." Trump and Modi appeared in each other's political meetings in India and the United States. After exchanging nuclear banter with the North Korean despot Kim Jong-un, Trump said the two "fell in love."

Trump praised many foreign autocrats. He said he got along very well with Putin, adding, "The tougher and meaner they are, the better I get along with them." He downplayed Putin's killing of journalists and political opponents by saying, "I think our country does plenty of killing also." With fake news, dishonest courts, and claims of rigged elections, he implied that America is not very differ-

ent from tyrannical countries. He expressed admiration for Xi, calling him a "great leader" and a "very good man." He "joked" that, following the example of the strongman in Beijing, it would be great to "have a shot" at abolishing presidential term limits in the U.S. Constitution.

*The Age of the Strongman* reviews many other strongmen. In Poland, Jarosław Kaczyński echoes his Hungarian counterpart. Bin Salman, the Saudi crown prince since 2015, had journalist Jamal Khashoggi killed and dismembered in a Saudi consulate. Some of Rachman's strongmen recently lost power, notably Trump, Netanyahu, and Britain's Boris Johnson, artisan of Brexit, whom Trump called the "Britain Trump."

By including Johnson—and Trump—one could blame Rachman for an expansive conception of the strongman, but it's not unreasonable to include leaders whose autocratic ambitions were constrained by their political systems. Describing similarities among all the strongmen is one strength of *The Age of the Strongman*.

**Democracy and liberalism** / Let's come back to the questions related to the interface between democracy and strongmen and to the underlying political philosophies.

What exactly is the regime that strongmen are replacing or trying to subvert? “Liberal democracy” or simply “democracy” is Rachman’s answer. But is “liberal democracy” a mere pleonasm or does “liberal” qualify “democracy” and how? What is liberalism? On these basic questions, *The Age of the Strongman* is weak.

Orbán’s claim that he is defending “illiberal democracy” should have led Rachman to address directly the meaning of “liberal democracy” and differentiate between liberalism and democracy. These two concepts are synonymous only in the American progressive conception of liberalism. In the classical conception of liberalism, even a perfectly democratic state must be submitted to strict constraints to protect individual liberty from government infringements—that is, to make it liberal. Otherwise, a democratic state can, just like an autocracy, become Leviathan.

One key to understanding *The Age of the Strongman* is that it defends democracy more than, or rather than, liberalism. Rachman does mention the word “liberty” (or freedom) a few times in his book, but it means mainly—if not only—political liberty, as he often qualifies the word in this very way.

**Rachman as a progressive** / Labels are not arguments, of course, but it is important to understand that Rachman is an American-style liberal (often called “progressive”), as his examples, his intellectual friends, and his general philosophical demeanor suggest. He claims ideological kinship with French president Emmanuel Macron: “The core voters for Macron’s En Marche [in 2017] were people whose American and British counterparts had voted for Hillary Clinton and Remain,” he writes. If Hillary Clinton is a classical liberal, then Donald Trump is the pope. Had she been elected, she may not have tried to be as autocratic as Trump did, but she had the potential to come close. In my opinion, Rachman does not necessarily improve his case by invoking “Francis Fukuyama’s ‘end of history’ thesis.” (See “Fukuyama: Interesting Books, with

Some Baggage,” p. 48.)

Rachman shows little understanding of the classical liberalism of Adam Smith and even less of Friedrich Hayek or James Buchanan. His liberalism may not go much further than the pro-immigration values that “were standard in the liberal London” where he says he and Boris Johnson moved when the latter was mayor of London from 2008 to 2016. To Rachman’s credit, however, he does criticize Johnson for his willingness to use any tactic and lie necessary to “get to the top.”

By invoking the mirage of “excessive deregulation of finance”—a claim that is a virtual membership card in the progressive crowd—and the “intoxication with global-

***In the classical conception of liberalism, even a perfectly democratic state must be submitted to strict constraints to protect individual liberty from government.***

ization,” Rachman sides with the illiberals, who have dominated public debates and policy for several decades.

Even if labels are not arguments, they can help identify useful concepts. Rachman probably considers “American liberal” as a badge of honor. But he is not an absolute villain. He shows some real liberalism—that is, classical liberalism—when he defends cosmopolitanism against nationalism. But he misses the fundamental split of our time, which is between individual liberty and state authority. The crucial fact is that, whether on the left or right, strongmen value state authority and collective choices, as opposed to individual choices.

Like his fellow progressives, Rachman wants very powerful government, but only to do good things—which is to say that he wants government to deliver what he and his political comrades want. He does not see that the soft democratic tyranny à la Tocqueville that he espouses lies at the heart of the discontent to which he attributes the rise of strongmen. A state that claims to be responsible for everybody’s destiny cannot

help but sow discontent and confrontation. Ordinary people have too long been considered the children of the state. Many of them now (wrongly) think that a strong parent is better than a weak one, and they vote for strongmen.

It is this confused socialist liberalism, not liberalism in the classical sense, that has been taken over by populist strongmen.

**An easy path** / Rachman does not appreciate how the strongmen’s path to power had already been traced for them. The 21st century, so far, has continued what Mussolini hoped the 20th century would be: “the century of the state,” as he wrote in the *Encyclopedia Italiana* of 1932. The

plan was recently aided and abetted by the 2008–2009 recession and by the COVID pandemic that demonstrated the extraordinary power that has been acquired

by so-called liberal-democratic states. That individual strongmen and would-be strongmen tended to deny the dangers of COVID-19 tells us more about their general ignorance than about their liberating pretensions. At the beginning of the pandemic, Trump declared, “The authority of the President of the United States having to do with the subject we’re talking about is total”—an authority that can’t be found in the U.S. Constitution or in liberal thinking.

There is not as much difference between an individual strongman and strong-arm democracy as it is commonly believed. An unlimited numerical democracy is a collective strongman regime. If an individual strongman wants to stay in power without Chavez- or Maduro-like continuous open violence, he must satisfy a “democratic” majority or plurality. It seems that large parts of the respective populations support Putin, Orbán, and Xi. An important qualification is that an individual strongman can more easily obtain this support when his control of information is tighter, which explains



strongmen's attacks on independent media.

It should not be surprising that the age of strong democratic states, supported by an unconditional and nearly religious belief in the sanctity of democracy, has been followed by the age of the strongman. In his introduction, Rachman gives an example that has a significance that he does not seem to grasp. "The technologies of the twenty-first century," he writes, are "handing strongmen leaders ... the ability to monitor the movements and behavior of citizens. As these tools are deployed, they could strengthen the twenty-first century's authoritarian turn."

In Western countries, the surveillance state was not invented by strongmen but by the democratic regimes that preceded them. It is true that new technologies dramatically decreased the cost of mass surveillance, but the political and judicial rules and institutions allowing their use by governments were the product of poorly limited democracies. A man only has to take over an already strong state to become a strongman: the path is straight and easy to follow. Who were the figures of the "liberal" establishment that opposed the surveillance state and growing state power in general? They certainly did not include Barack Obama, Emmanuel Macron, Justin Trudeau (a "liberal stalwart"), or George Soros, all personalities embraced by Rachman.

We should note that, although Soros was on the side of liberty in his conflict with Orbán over the Central European University, he should not be mistaken for a classical liberal. On the contrary, he may be as far on the authoritarian left as Orbán is on the authoritarian right.

When we look at democratic states as they stood circa 2010, it is as if all political parties and elites had agreed to make them an efficient and attractive tool for future strongmen. The strict constraints that classical liberalism or libertarianism wants to impose on state power had been abandoned. That some establishment intellectuals like Rachman now discover our perilous situation, even without a clear view of its origins and its alternatives, is a good development, albeit a bit late. R

## Sin No More

REVIEW BY ART CARDEN

**A**fter reading the philosopher James R. Otteson's *Seven Deadly Economic Sins*, I find myself agreeing with the subtitle (these are "Obstacles to Prosperity and Happiness Every Citizen Should Know") and the back cover blurb from Deirdre McCloskey: "most economists should read it, too" so that we can "get back to an

Adam-Smithian depth of understanding."

I've reviewed two of Otteson's books before: *The End of Socialism* (Spring 2016) and *Honorable Business* (Fall 2019). Both are stellar and well worth reading. The same is true of *Seven Deadly Economic Sins*, which would be a fine addition to an economics or philosophy course syllabus or a useful standalone text for a reading group or book club. I've practically ruined my copy with marginal notes, and I suspect I'm not the only reader to do so.

*Seven Deadly Economic Sins* is written at a level accessible to students, educated laypeople, and non-economists/philosophers interested in seeing what Smith's intellectual descendants have to say about the world. Otteson, a leading Smith scholar, is an ideal guide.

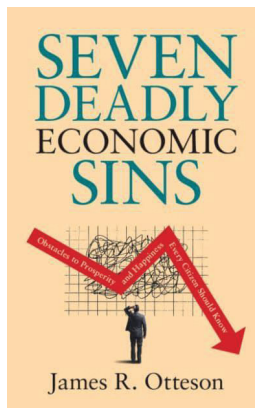
**Seven fallacies** / Where many economists try to distance themselves from ethical assumptions and try to describe "policy implications" neutrally, Otteson (a trained philosopher) evaluates the "seven deadly economic sins" in light of his conviction that responsible adults are "equal moral agents" who deserve the liberty and dignity to make their own choices. We don't honor their moral equality when we presume to make economic choices for them, and as Otteson shows, that presumption is at the root of many "obstacles to prosperity and happiness."

He takes readers through

seven fallacies: the Wealth Is Zero-Sum Fallacy, the Good Is Good Enough Fallacy, the Great Mind Fallacy, the Progress Is Inevitable Fallacy, the Economics Is Amoral Fallacy, the We Should Be Equal Fallacy, and the Markets Are Perfect Fallacy. He finishes with a bonus eighth fallacy in his conclusion, which he calls the I Am the World Fallacy. These, he argues, corrupt our souls and destroy our world.

The first of these, the Wealth Is Zero-Sum Fallacy, is probably the most important, the most misunderstood, and the most understandable in light of where we've been as a species. It's most understandable because, for almost all of history, wealth *was* zero-sum. Rulers and nobles amassed great fortunes by conquering and exploiting people. About two and a half

centuries ago, however, people started getting richer on a much larger scale by innovating (coming up with ways to do more things with fewer resources) and by exchanging (getting dinner from the butcher, the baker, and the brewer not by demanding it or simply taking it, but by giving them something they want in exchange). Its historical ubiquity means it is likely the most common misunderstanding, and the importance of combating it comes from the fact that over the long run, economic growth has been and will continue to be the greatest anti-poverty force the world has ever seen. As Nobel economics laureate Robert Lucas



*Seven Deadly Economic Sins: Obstacles to Prosperity and Happiness Every Citizen Should Know*

By James R. Otteson  
322 pp.; Cambridge University Press, 2021



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## IN REVIEW

has explained, it's a serious mistake to focus on income distribution when income creation over time is what matters.

Otteson complements economists' analysis of the free-market cornucopia by asking whether those who might be made worse off by any change to the status quo should have a right to block that change or to demand compensation for it. If you go to the locally owned Tweek's coffee shop every morning but then start patronizing the Harbucks chain when it opens next door, do you owe Mr. Tweek anything? After all, competition from Harbucks is a pretty serious blow to his future prospects.

Otteson explains that the answer is "no," using a vivid thought experiment. He asks readers to imagine that Jack and Jill are in love. Jack goes to buy an engagement ring. When he gets back, he discovers that Jill has fallen in love with and married Joe. It's a devastating blow to Jack, and while it would be virtuous for us to give him a shoulder to cry on, we don't have the right to dissolve Jill and Joe's marriage or demand that Jill and Joe compensate Jack.

The recently abandoned Tweek's coffee is like Jack: their friends should help the Tweek family during what are sure to be hard times, but they should not forcibly prevent other people from going to Harbucks or demand that those people compensate Mr. Tweek because they have not injured him. Otteson puts it this way:

But disappointment at not receiving a benefit is not a cost or injury, since the disappointed party did not actually possess anything that has now been lost; they only hoped to acquire some additional new thing, and now they will have to look elsewhere to acquire it.

Compensation for people "hurt" by a policy might be politically necessary if those people are strong enough politically, but it's not morally required.

**What is worthwhile?** / The Good Is Good Enough Fallacy concerns the belief that something is worthwhile if it provides some cherished benefit. This fallacy is behind the oft-stated belief that saving a life justifies any cost. This ignores the fact that paying that cost means lives or other valued things are lost elsewhere. We must count all the costs and benefits to all groups, not just the

**As Nobel laureate Robert Lucas has explained, it's a serious mistake to focus on income distribution when income creation over time is what matters.**

benefits to the people who are easy to see. Of course, a piece of special interest legislation benefits a special interest, just like a shattered window creates an opportunity for a glazier.

Once again, Otteson helps us understand by using a vivid thought experiment: Imagine a Mars rover discovers a new, previously unknown compound that, as far as we know, only exists on Mars. Suppose further that we somehow discover that it can cure a rare disease. Getting enough of the compound from Mars to Earth to save one life would likely cost many, many billions of dollars. For comparison, the U.S. Environmental Protection Agency's Value of a Statistical Life is about \$10 million, which suggests that the "one life" we'd save with the Mars medical mission would cost a great many other lives.

Otteson next takes on the Great Mind Fallacy, which asserts that important human problems should be addressed by a central group of experts. He explains, in light of Smith's analysis of a person's knowledge of her "local situation" that cannot be known by an outside observer, that there is no "Great Mind" out there—or Great Collection of Minds—that can even articulate a social problem in its entirety, much less solve it.

And so on. Otteson goes on to explain that progress is not inevitable, that economics rests on important moral foundations, and that people's enthusiasm for "equality" doesn't survive careful scrutiny because it's

not always clear what we mean by "equality." As Friedrich Hayek argued, creating economic "equality" requires creating political inequality. Otteson explains throughout the book that people have created great fortunes in commercial societies not by taking and raiding but by making and trading. Finally, markets are not perfect and tend not to be the way tight communities (like families) organize themselves, but they can be relied on to mediate relations between strangers when rights are well-specified and clearly enforced.

**Beyond ourselves** / Otteson leaves us with a bonus eighth fallacy, which he calls the I Am the World Fallacy. It's the egoistic belief that one's own value system is superior to all others. Otteson's corrective is a simple piece of advice: get over yourself. He quotes Smith: "Though every man may, according to the proverb, be the whole world to himself, to the rest of mankind his is a most insignificant part of it." You are not a god burdened with glorious purpose, and no matter how wise or virtuous you are, it is not your prerogative to override others' moral agency and rule them. You are not more equal than others, no matter how much you might think otherwise.

Otteson closes with a postscript:

Insofar as we are concerned, then, with human betterment, not only our own but that of others as well, these basic principles of economics are vital. We should learn them, incorporate them into our worldviews, and teach them to our children. Our futures, and theirs, may depend on it.

Joseph Schumpeter was surely right when he wrote that "the typical citizen drops down to a lower level of mental performance as soon as he enters the political field." (If you disagree, spend five minutes on any social media platform or look up campaign ads on YouTube.) If we're going to mitigate this as much as possible, we would do well to follow Otteson's advice and incorporate the basic principles he explains into our worldviews. R



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