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POLITICALLY IMPOSSIBLE...?

## II. A Solution: The Dual Formula

In 1934, in a lecture at the London School of Economics, Pigou referred to the severe temptation to which the ambitious economist was subject 'to make slight adjustments in his economic view, so that it shall conform to the policy of one political party'. But, he added, 'for the student to yield to that temptation is an intellectual crime. It is to sell his birthright in the household of truth for a mess of political potage.'<sup>1</sup> That he was sincere in this declaration no one would doubt. Yet his own attitudes towards policy were strongly influenced by *tacit* assumptions about the vote-acquisition process.

In 1953, Professor Milton Friedman enunciated an important relevant maxim. He said,

'The role of the economist in discussions of public policy seems to me to be to prescribe what should be done in the light of what can be done, politics aside, and not to predict what is "politically feasible" and then to recommend it.'<sup>2</sup>

But he has not, I think, always found it possible to live up to his maxim. In two of the chief proposals with which his name is associated, 'negative income tax' and 'floating exchange rates', his plea is basically that the politically conceivable alternatives would be worse, and that only 'dreamers' or the 'starry-eyed' would advocate impossible solutions. In using such terms he seems to be gently admonishing economists who insist upon prescribing 'what should be done in the light of what can be done', as he has himself so simply put it.

### *Economist's dual advice*

His maxim implies that the economist's role is to do this (the ideal) and not to do that (the expedient). I suggest it is the economist's role and duty (in public policy discussions) to do *both*. Why should not advice proffered typically take the form of saying to the

politicians (and indirectly to electorates) with complete candour, something like the following?

'In our judgment, the best you will be able to get away with is programme A along the following lines; but if you could find a convincing way of really explaining the issues to the electorate, our advice would have to be quite different. We should have to recommend programme B, along the following lines.'

I am not suggesting that economists ought ever to close their eyes to political realities. On the contrary, when they are concerned with the practical application of their science, they ought in every instance to bring voting prospects into the picture – but *explicitly*. A contemporary trend towards a return of economic science to what could be more appropriately described by the too long disused term 'political economy', in which the function of vote-gathering is formally treated as an economic factor, may turn out to be one of the most promising developments of this age. By 'political economy' so conceived is meant the study of man seeking objectives within a framework of scarce means (a) through the market and (b) through the state, the phrase 'through the state' meaning 'through politics and voting'.<sup>3</sup>

It is necessary to mention, although I do not propose here to discuss, the important consideration of administrative practicality. As Dr Hallett has insisted, 'it is not enough in economic policy to have a good idea; the practical problems of implementing it must be carefully thought out if it is in practice to do more good than harm.'<sup>4</sup> The expertise of the civil service is an imperative requirement if most broad legislative proposals are to be put into workable form.

Professor T W Hutchison is, I feel, thinking along the same lines when (writing in 1966) he refers to 'the assumptions of the non-political or a-political economics which has dominated the approach of economics till recently.'<sup>5</sup> He remarks that 'politics . . . has recently become quite a fashionable subject for economists to write about.'<sup>6</sup> They are being forced in this direction because it is becoming increasingly clear that a major obstacle to rectification of the world's economic ills is lurking in the vote-acquisition imperatives associated with representative government.

To carry out efficiently their opinion-influencing role, econo-

mists who are allowing for voting reactions in their deliberations should, then, always be able to plan the presentation of their recommendations in a dual form: they should set out not only programme A, i.e. what politicians think the best attainable politically given the state of electoral opinion, but also programme B, i.e. what they suggest is good or ideal.

*Can economists judge political practicability?*

This proposition is likely to be contested on the grounds that it would call upon economists to make pronouncements about a field in which they can make no claim to special expertise. 'What qualifications have economists for judgments about the 'politically feasible'? If the politicians are not always right in their predictions of electoral reactions, will they not be more often right than economists who have not themselves experienced the hurly-burly of election-winning? My answer is four-fold.

1 First, constructive criticism of contemporary social and economic arrangements loses a great deal through a tendency for economists, concerned with their repute and standing, consciously or subconsciously, to inhibit discussion (or careful discussion) of, and to shun recommendations of policies they think 'politically impossible' or which they believe the politicians will regard as such.

2 Secondly, in most cases there will be no serious differences of opinion between politicians and economists in proposals which the latter judge to be, and describe as, *currently* unacceptable to electorates. But on occasion, the economists may have the advantage over the active politician which is expressed in the ancient maxim, 'the onlooker sees most of the game'. In a private communication, two economists declared a few years ago: 'Experience has made us sceptical of the capacity of politicians deafened by ears too close to the ground to judge what is "politically possible".'

3 Thirdly, my recommendations refer to policy espousal: they are concerned not with 'pure economics' but with 'applied economics' in which economists must necessarily treat as data all sorts of technological, sociological and voting phenomena. They can observe the conduct of elections, and the results of rival appeals, at least as disinterestedly and assess the implications at least as rationally as other citizens. But my suggestions do not rely upon an assumption that the economists' political acumen will impress

practical politicians. What is much more likely to impress politicians (and opinion-formers) is what the economists may suggest must be ruled out by difficulty of communication.

Fourthly, because economists have tended to allow their recommendations to be influenced by *tacit* instead of *explicit* political assumptions, they have generally failed during the present century to think sufficiently rigorously about the relevance of the vote-procurement process. As Professor Hutchison has shrewdly commented,

'in the nineteenth century political economists . . . took, and were often highly qualified to take, much account of the political consequences of economic policies,' whereas today we often have 'a complete and possibly disastrous disregard of political values and processes, . . . especially from Oxford and Cambridge.'

Hence although my proposal is that economists should ignore the electoral aspects in 'form B' stage of their policy recommendations, I am envisaging them acquiring, in Professor Hutchison's words, a realistic 'appreciation of the gulf which yawns between bright ideas and successful policies or legislation'.<sup>8</sup>

An objection of a quite different kind is that, in recommending what seems to be politically palatable – 'programme A' – the economist will be himself encouraging dissimulation on the part of the politicians. But under representative government, wrote Lord Morley, while 'a genuine lover of truth . . . will be wholly independent of the approval or assent of those around him, . . . when he proceeds to apply his beliefs in the practical conduct of life, the position is different.' In this passage, Morley the statesman was differentiating himself from Morley the scholar. He continued:

'The people from whom he dissents have not come to their opinions, customs and institutions by a process of mere haphazard. They have a certain depth in the lives of a proportion of the existing generation. . . . The most zealous propagandism cannot penetrate to them. . . . Only a proportion . . . in one society can have the nerve to grasp the banner of a new truth. . . .'<sup>9</sup>

And he quoted Herbert Spencer in support of the maxim that 'perpetual compromise is an indispensable accompaniment of a normal development' of social life.<sup>10</sup> But Morley never abandoned

his scholarly role. It is only 'legitimate compromise', he insisted, when the scholar says: 'I do not expect you to execute this improvement, or to surrender that prejudice, in my time. But at any rate it shall not be my fault if the improvement remains unknown or rejected.'<sup>11</sup>

I have emphasized above the importance of communicating with electorates – informing them of aims, facts and inferences. Schumpeter observed that 'information and argument in political matters will "register" only if they link up with the citizen's preconceived ideas.'<sup>12</sup> This observation almost implies that the stereotypes of electors can never be effectively disturbed through the operation of the vote-winning process. But although wise statesmen will approach the task of communication with a realistic recognition of the preconceptions of the masses, categorical challenges on vital matters can be effective – especially challenges thrown out by people not touting for election. Schumpeter remarked further, however, that 'since the first thing man will do for his ideal or interest is to lie, we shall expect, and as a matter of fact we find, that effective information is almost always adulterated or selective. . . .'<sup>13</sup> This assertion brings us to the roots of the issue with which this essay is concerned. Schumpeter, addressing economists, asked the reader 'whether he has never heard – or said himself – that this or that awkward fact must not be told publicly, or that a certain line of reasoning, though valid, is undesirable.'<sup>14</sup> But is the presentation of policy likely to be more 'adulterated' if economists refuse doggedly to suppress 'awkward' data or to withhold a disconcerting chain of reasoning, and follow-up by explaining the unwillingness of electorates or opinion-makers to listen to truth and logic?<sup>15</sup>

#### FOOTNOTES TO PART II

<sup>1</sup> A C Pigou, *Economics in Practice*, Macmillan, 1935, p. 10.

<sup>2</sup> M Friedman, 'Comments on Monetary Policy', in *Essays in Positive Economics*, University of Chicago Press, 1953, p. 264.

<sup>3</sup> I have discussed some aspects of this trend of economics in an article on the path-breaking contribution in the subject, *The Calculus of Consent*, by J M Buchanan and G Tullock (Hutt, 'Unanimity versus Non-Discrimination', *SA Journal of Economics*, 1966). Other aspects are treated and other relevant contributions mentioned in Hutchison, *Markets and the Franchise*, *op. cit.*

<sup>4</sup> Hallett, *op. cit.*, p. 5.

<sup>5</sup> Hutchison, *Markets and the Franchise*, *op. cit.*, pp. 5–6.

<sup>6</sup> *Ibid.*, p. 23.

<sup>7</sup> Hutchison, *Economics and Economic Policy in Britain*, *op. cit.*, pp. 273–4.

<sup>8</sup> *Ibid.*, p. 262.

<sup>9</sup> Morley, *op. cit.*, pp. 121–2.

<sup>10</sup> Spencer, *The Study of Sociology*, p. 396, quoted in Morley, *op. cit.*, p. 123.

<sup>11</sup> Morley, *op. cit.*, p. 126.

<sup>12</sup> Schumpeter, *op. cit.*, p. 263.

<sup>13</sup> *Ibid.*, p. 264.

<sup>14</sup> *Ibid.*, p. 264.

<sup>15</sup> The brief quotations from Schumpeter in this paragraph are out of context and do not do justice to his powerful argument. He did *not* believe that representative government must necessarily work badly in the long run and he admitted that there is truth in the democratically-toned *dicta* of Jefferson and Lincoln. He was attacking weaknesses in what he described as 'the classical doctrine' of democracy. Yet what he conceived of as essentially 'democracy' is almost exactly what R Bassett, in his important book, *The Essentials of Parliamentary Democracy*, Macmillan, 1935, especially Chapter IV, denied 'democracy' to be.