

# POLITICAL ECONOMY

IN THE CAROLINAS

## CLASSICAL LIBERALISM'S VISION OF A BETTER WORLD

*The struggle of a Better World.*

By Peter J. Boettke. Arlington,  
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**M**ore than sixty years ago, in the introduction to his *Constitution of Liberty*, Friedrich A. Hayek said:

If old truths are to retain their hold on men's minds, they must be restated in the language and the concepts of successive generations. What at one time are their most effective expressions gradually become so worn with the use that they cease to carry a definite meaning. The underlying ideas may be as valid as ever, but the words, even when they refer to problems that are still with us, no longer convey the same conviction; the arguments do not move in a context familiar to us; and they rarely give direct answers to the questions we are asking. . . . It must be adapted to a given climate of opinion, presuppose much that is accepted by all men of the time, and illustrate general principles in terms of issues with which we are concerned. (1960, p. 47)

The dilemma we face today is that not only has the intellectual and emotive force of the idea of liberty faded from the political scene, especially among a sizable majority of academics and opinion makers who deliberate on public policy, but the very term liberalism has been manipulated into ambiguity, confusion, and contradictory meanings. There have been recent attempts to offer restatements meant to present a reawakened relevancy of the classical liberal vision (Smith 2013; Epstein 2014; Butler 2015; McCloskey 2019; Ebeling 2018; 2019) or to emphasize the morality of a liberal market order

and the dangers to liberty from unbounded democratic government (Storr and Choi 2019; Holcombe 2019).

But it, nonetheless, remains the case that not only is liberalism on the defense, but especially the classical liberal ideal and policy prescriptions are not taken seriously other than as caricatures to which to assign responsibility for all the ills of the world, or to misrepresent it so as to not have to deal with the issues and questions with which proponents of liberalism have challenged their modern collectivist rivals.

This gets us to the important volume under review: Peter J. Boettke's *Struggle for a Better World* (2021). Professor Boettke is one of the central figures in the revival and growth of the modern Austrian school of economics, especially through his role as a leading scholar in the economics department at George Mason University. He has helped inspire and cultivate a new generation of economists and related social scientists to carry on and extend the tradition that began with Carl Menger and continued in the twentieth century with Ludwig von Mises and F. A. Hayek. He also has produced an amazing amount of interdisciplinary writings that have attempted to synthesize a new political economy that focuses on market processes and institutional evolution and is concisely summarized in *Applied Mainline Economics* (2017).

Some of the themes in this latest book may be seen in his earlier volume, *Living Economics: Yesterday, Today, and Tomorrow* (2012). But the vision offered in *The Struggle for a Better World* presents a coherent and cogent argument and rationale for the classical liberal order. There are several complementary dimensions to Professor

Boettke's analysis. One is that much of contemporary mainstream economics has been responsible for misunderstandings of how competitive markets work in the real world, which has resulted in economics being shunted onto the wrong track and ending up serving as a handmaiden to rationalized restrictions on personal and economic liberty.

Almost straitjacketed within a mathematical formalism that focuses mostly on equilibrium-state analysis or reduces all social and economic processes to a quantitative dimension of aggregated statistical data, the economics profession tends to still look at the world through the prism of textbook perfect-competition and monopoly theory. And in still doing this, Professor Boettke says, the mainstream profession is still open to the criticisms raised by Hayek (1948; 2014) in the 1940s.

Unlike mainstream economics, he reminds his readers, Austrian economics starts from the premises that human beings are imperfect creatures who possess imperfect knowledge about themselves and all others in the world, who inescapably have to deal with uncertainties about the potentials and possibilities of the future, and who must direct their decisions and actions in a forward-looking manner in and through time.

And, like Hayek, Professor Boettke asks the reader to marvel that, given these human circumstances, a complex system of what is now a world-encompassing division of labor has been able to come into existence and successfully coordinate most of the activities of billions of human beings who are bound together in a network of interdependent specializations across both time and space.

Little of this miracle of the global

marketplace is effectively conveyed to most students by their economics professors or to the informed laypersons in the wider public arena. Far too many professional economists remain so wedded to their textbook models that the focus of public policy attention is assigned to highlighting the “failures” of markets for not operating according to the premises and strictures of the stylized conception of an optimally efficient state of perfect competition, within which it is presumed that somehow markets should already be in equilibrium. Any real-world deviation from the imaginary equilibrium state is seen as a demonstration of a failed capitalism that requires government regulation and oversight to make markets conform to what the perfect-competition model demands.

At this point, Professor Boettke blends with the Austrian market-process critique of mainstream economics the constitutional political economy of public choice theory, especially as formulated by James M. Buchanan. Government is merely a covering term for a network of politicians, bureaucrats, and special interest groups that cooperatively and competitively interact for the purpose of using the political power to tax, regulate, and redistribute to gain benefits at other people’s expenses through the legitimated threat or use of force. This process is structurally reinforced by the dynamics of concentrated benefits for groups smaller than the many others in society among whom the various burdens of such policies are diffused.

But he brings out Buchanan’s wider institutional analysis in the context of which this dynamic of the political process works itself out. This is the distinction between

the pre- and postconstitutional discussion and decision. The institutional environment in which markets and the political process operate appears to us as given and may seem to be so even for a relatively long period. But markets and politics are both the results of spontaneous and deliberative processes. The origins and forms of market and social arrangements are, in many of its characteristics, the evolved outcomes of multitudes of interactive associations over generations of people, the cumulative effects of which were rarely anyone’s intention.

These arrangements include the institutional rules of the game—that is, the procedural parameters within which resulting incentive structures guide the types and forms of actions social participants consider both desirable and possible. But there are also planned aspects to an institutional order. Professor Boettke reminds us that while many of the premises and presumptions of a free society were the evolved outcomes of political, social, and legal conflicts and compromises over centuries of British history, these originally unintended results of human action served as the intellectual setting for the conscious creation of a particular designed political order: the constitution for the new United States.

These insights and distinctions are the basis for Professor Boettke’s conception of the nature and role of political economy. What the political economist should be focused upon is a comparative analysis of different political, social, and economic institutional orders to offer advice about which of these orders are most consistent with the human material upon which any institutional order must operate and therefore which of them

more successfully take advantage of the reality of those real people, with their imperfect and decentralized and dispersed knowledge and skills, so that the cumulative outcome will best enable the material, cultural, and personal betterment of all.

For Professor Boettke, such an analysis demonstrates the advantage of the classical liberal social order. That social order leaves individuals a wide latitude of personal choice and decision making so that all may benefit from what others know or may have the competitive incentive in a free market to discover on the basis of the self-interested profit motive guided by market-generated prices.

He also recognizes that there are social and community concerns that may require the common participation and agreement of some or many but lie outside of the narrower market mechanism of supply and demand. In other words, there are public goods, but the term is understood in ways partly different from mainstream economics. For this, Professor Boettke complements the Austrian market-process analysis and the political economy of public choice with the writings of Elinor and Vincent Ostrom on nonmarket methods of community and social decision making, a theme that he has focused upon before (Boettke 2009). Such nonmarket methods offer possible avenues for political decisions and cooperation outside of the constraints and undesirable consequences of everyday politics.

Again, moving outside of the confines of mainstream economics, Professor Boettke says that we cannot overlook and should not downplay the moral dimension of the classical liberal worldview and institutional

possibilities. The liberal vision views each individual as a distinct human being to be treated with respect and dignity and not to be turned into the pawn of others' political control. The liberal worldview socializes that dignity and respect by insisting that human relationships should be grounded in a freedom of choice and association that will not allow one person to be made the compelled servant of another. It is what Professor Boettke calls an equality of equals in the arenas of life.

And, finally, classical liberalism, he says, offers an institutional way of navigating between two dangerous extremes: a world without some political arrangement that enables a recognition and protection of every individual's right to life, liberty, property, and freedom of association; and a world with an unrestrained government that threatens to become a political predator worse than the private plundering the protection from which government has its very rationale.

If a reviewer is permitted to express what he finds to be his greatest disappointment and frustration with what is otherwise a valuable contribution to the case for liberalism, they are the following. Professor Boettke highlights the need for a moral appeal for liberty and liberalism. But when looking over his arguments and conclusions, the thought that crossed this reader's mind was, For what might people be willing to bare their chests at the barricades and risk their lives, if necessary, to secure liberty?

People have risked and given their lives in the name of their gods in various religious wars. Marxists have been willing to sacrifice all to bring about the triumph of an oppressed social class, and Nazis did so for the triumph

of a “pure race” (recall that Magda Goebbels poisoned her own children in Hitler’s bunker rather than let them live in a world without national socialism).

The American revolutionaries fought for their independence from British rule not only because of a frustration with the political and economic restrictions and burdens placed upon them by King George’s government, but also because of a deeply held and fundamental belief that each person possessed certain unalienable, natural rights that no government should be allowed to deny or seriously violate. These rights belong to each person both as a gift from God and on the basis of a rational reflection on the nature of humans and what flowed from that as being properly ethical in human affairs. It was sermonized about from colonial pulpits and reasoned about in terms of “common sense” by others such as Thomas Paine.

An essential question, then, is what and where the emotional element is to the moral case for liberalism that could or would arouse, say, the American people today. There are identity-politics warriors and Make America Great Again diehards, but how might such fervor and insistence be inspired for individual liberty, free markets, and constitutionally limited government?

One reasonable reply might be that the liberal case is based on reason and reality and not on emotive wishful and irrational dreams and desires. But unless liberalism can attract and inspire more than a few intellectual summertime soldiers, it might not have the capacity to fully prevail.

Professor Boettke more than once refers to Hayek’s concluding remarks in his famous essay “The Intellectuals and Socialism” on

the need to reconstruct a liberal “utopian vision” of a good and ethical society if freedom is to have a future (Hayek 1949, p. 237). I fear, though, that explanations of decentralized knowledge and the price system, and discourses on the spontaneous evolution of language and money, might not, in themselves, be sufficient to win the day for a successful classical liberal transformation of society.

I fear that without some modern equivalent of or substitute for the moral appeal that natural rights once inspired among many for establishing a more just society—for instance, in the ethical fight to abolish slavery and for the rightness of freedom of trade—liberalism will remain at a severe disadvantage in the battle for both the hearts and the minds of our fellow humans.

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