

# Chapter 1: Setting the Scene

The life of the avaricious resembles a funeral banquet. For though it has all things requisite to a feast, yet no one present rejoices.

— Pythagoras<sup>1</sup>

Money, gentlemen, money! The Virus  
That infects mankind with every sickness

— Sophocles<sup>2</sup>

Without justice, all kingdoms are but bands of robbers.

— St Augustine<sup>3</sup>

Justice...is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human Society...must in a moment crumble into atoms.

— Adam Smith<sup>4</sup>

In this book, I dispute the value of the shallow, all-encompassing, dogmatic economic theories advanced by economic policy elites in recent public policy debates, along with their gross simplifications and sacred rules. Economics cannot provide a convincing overarching theory of government action or of social action more generally, and should not be used for that purpose. Nor can economics define an ideal form of social or economic organisation against which to measure our institutional and organisational arrangements.

This critique should not be taken to mean that I believe that markets, prices and property are unimportant economic institutions. Rather, these institutions perform very useful roles in the coordination of economic activity. Nor should my critique be interpreted as meaning that I think macroeconomic stability is not an important policy goal. There is, however, more to successful economic management and welfare creation than macroeconomic stability—and there is a lot more to governing a country than economic management. Rather, my critique is directed against the mainstream, dogmatic, mechanistic, imperialist and fundamentalist framework that is currently being used to analyse the economic system and to justify policy decisions. This framework has its origins in libertarian political philosophy and in neoclassical economics and the excessive faith in markets that they promote. It is simply not true that the so-called invisible hand of the market will operate unaided to maximise individual and social welfare even within the false, crude and positivist understanding of welfare used in economics. There is much more to human welfare and happiness than economic welfare. It means that we should not become slaves to these institutions.

In rejecting the false certainty of naïve, simplistic, fundamentalist economic theorising—and the dehumanising and stupid policies that flow from it—I

advocate a more overtly experimental, eclectic and pragmatic approach to policy development. This is an approach that takes much more seriously the complex, interdependent, evolving nature of society and the economy, and the important roles played in our society by our traditions, our values and by political compromise. Importantly, it is an outlook that recognises the pervasive influence of asymmetries of wealth, power and information on bargaining power and prospects throughout society. As Martin Hollis and Edward Nell tell us:

Individual incomes do not result from individual hard work but from exercises of power, political decisions, tradition and other social forces, not least the hierarchical organisation of productive work...The clear implication is that there is no natural nor any efficient allocation of incomes. A competitive scramble for incomes is simply a power struggle and there is no hope of basing an 'incomes policy' on the notion of 'productive contribution' or 'efficiency'.<sup>5</sup>

Mine is an outlook that also pays adequate regard to the wide diversity of economic schools and views, rather than adhering slavishly to the narrow, contentious, contemporary orthodoxy. Importantly, I believe that the value judgements that are at the heart of public policy decisions should not simply be the province of manipulative fundamentalist economic technocrats and their political allies; they are truly matters for decision by a properly informed democratic polity. We have allowed economic rationalists and economists more generally to usurp a role that rightly belongs to all of us!

Recent public policy debates throughout the world have been influenced heavily by that complex of ideas known variously as Thatcherism, Reaganism, neo-conservatism, neo-liberalism, and, in Australia, economic rationalism and, in New Zealand, Rogernomics. Like all such complexes, the terms lack precision, but they all attach to a misuse of basic economic concepts to justify a strong faith in unregulated markets and an associated distrust of governments, politics, politicians, government bureaucrats, government services and welfare provision. Some critics see this lack of precision as a fatal flaw, but in doing so reveal their ill-founded essentialist and positivist leanings.<sup>6</sup> Rather, definitions should not be judged as right or wrong, but only as helpful or unhelpful in delineating useful categories.<sup>7</sup> In this regard, Keith Webb warns us in his *Introduction to Problems in the Philosophy of Social Sciences* that the very idea that any social science can be built on shared and agreed concepts by careful definition has been lost forever.<sup>8</sup> Indeed, the great philosopher Ludwig Wittgenstein (1889–1951) taught us '[i]f you want to know the meaning of a word, look to its use'.<sup>9</sup>

John Stone, the Secretary to the Treasury from 1979 to 1984 and a prominent economic rationalist, has no such definitional problems. He says that the central proposition of economic rationalism is that 'markets will, generally speaking

and over time, always provide more economically advantageous outcomes than governments'.<sup>10</sup> I, along with many others, view this as an extreme position that is demonstrably untrue. Long experience in Australia and overseas demonstrates that there are forms of government coordination that are welfare enhancing. Nor does the claim follow logically from mainstream economic analysis.<sup>11</sup> As Joseph Stiglitz—a Nobel Prize-winning economist and the former chairman of President Clinton's Council of Economic Advisers and then Senior Vice-President and Chief Economist of the World Bank—says of America's recent experience:

No one who has watched the corporate scandals, the wasted investments of America's boom, the idle resources of America's bust, can truly believe that markets, by themselves, result in efficient outcomes...The central lesson that emerges from this story of the boom and bust—that there needs to be a balance between the role of government and of the market—is one which evidently the world has had to learn over and over again.<sup>12</sup>

Consequently, Stiglitz is a strong critic of 'deregulation run amok'.

Furthermore, Stone's claim assumes the existence of clear, sharp, non-problematic boundaries between markets and governments and between economic and non-economic outcomes. These boundaries are, however, different legal, political and intellectual constructs in different countries—not natural entities—and they are open to continuing question. In any event, as I will argue in Chapter 2, the economic system is a subset of a broader, evolved and complex interdependent social system in which governance in all its forms performs an enabling coordinating role. Because it is a complex system, the distribution of that coordinating role across various mechanisms cannot be determined on the basis of simplistic reductive analysis. There is unlikely to be one unique 'optimal' solution to that distribution.

Additionally, many—if not most—economists agree, on the basis of long experience and simple reasoning, that the government has a legitimate role to play in the provision of public goods such as security, law and order, emergency services, education and the creation and diffusion of new knowledge. Since economic development is heavily dependent on knowledge processes—and since it is generally conceded that knowledge has many of the properties of a public good—government involvement would appear to be central to many 'economically advantageous outcomes'. Nevertheless, no one—let alone Stone—is arguing that the Department of the Treasury should be privatised.<sup>13</sup> So we can take it as read that the 'generally speaking' is far less general than might appear at first sight. Herein lies the source of unending political debate. One might notice in passing that economically advantageous outcomes—interpreted as

static economic efficiency—have acquired a privileged status as a criterion for policy action against other considerations.

The financial media promote the policy directions that flow from these extreme attitudes: ‘as well as fiscal discipline, Australia needs continued economic reform. More competition and deregulation, further privatisation and labour market liberalisation and a smaller public sector are all imperative.’<sup>14</sup> And, again, more recently:

[T]here is a harder and politically important battle awaiting the Prime Minister at home. This is the battle to maintain the momentum of economic reform...The question is not whether the government has an adequate reform agenda...it is whether it has the will to impose genuine change on reform-resistant industries, with only lukewarm support from a reform-weary parliament and public.<sup>15</sup>

One consequence of these attitudes in the United States is the proposal developed in Congress after Hurricane Katrina for a substantial cut in services for the poor, big tax cuts for the rich and increased budget deficits. It was the obsession with budget cuts, however, that led to the poor response of US emergency authorities to Katrina in the first place. These attitudes are reflected also in earlier madcap and anti-democratic proposals from public-choice and libertarian circles to place fiscal policy in the hands of ‘independent experts’, and for constitutions to be amended to limit the size of the public sector. These proposals have generated stillborn copycat proposals here from the Business Council of Australia and the Centre for Independent Studies. The latter would limit the public sector in Australia to 25 per cent of gross national product (GNP)—down from the current level of about 32 per cent, which is already at the bottom of the league table of Organisation for Economic Cooperation and Development (OECD) countries and about the same level as in the United States. In contrast, public expenditure in the 15 original European Union countries amounts to 44 per cent of gross domestic product (GDP). The effect of the proposal would be to reduce an already relatively small public sector substantially to a level significantly lower than in most other developed countries. Interestingly, the recent Australian economic ‘reform’ experience is now being touted as a model for European governments reluctant to undertake similar reforms in the face of voter opposition.<sup>16</sup>

In the above description of our subject matter, I have been content to defer to popular Australian usage and use the term ‘economic rationalism’. This usage focuses attention on the inflated rationalism in economics and political theory that underpins an excessive faith in the market. Other terms have, however, been suggested. For example, Peter Self used the term ‘market ideology’,<sup>17</sup> Stiglitz<sup>18</sup> and George Soros<sup>19</sup> used ‘market fundamentalism’ and John Quiggin sometimes used ‘free-market radicalism’.<sup>20</sup> Some readers could prefer one of these alternatives because they have the virtue of focusing attention directly on

an uncritical and excessive adulation of markets. Such adulation is not confined to the economics profession—and the association could unfairly condemn many economists. There are many economists who are trying to untie the Gordian knot of neoclassical economics. Furthermore, there are many fine neoclassical economists—including Nobel Prize winners—who have been critics of unrestrained pro-market policies. They have, however, been voices crying in the recent economic policy wilderness.

Some could argue that there is no necessary logical connection between mainstream or neoclassical economics and such market adulation—a view that is implicit in my use of the term ‘misuse’ in preference to ‘use’. This argument is, however, beside the point. In my long policy experience, economists and some political scientists use neoclassical economics on a daily basis as a justification for extreme pro-market policies within government, academic institutions and the media. Such attitudes seem to be a common outcome of neoclassical economic training. For my part, I want to emphasise the fundamentalist and religious nature of these beliefs and include these ideas in my title. Throughout the book, I use the shorthand term ‘economic fundamentalism’—the term used normally by John Langmore and John Quiggin<sup>21</sup>—because it focuses attention on the leading source of these extreme ideas.

In this regard, it is important to recognise that the exaggerated claim of economic fundamentalism is a claim to moral authority: authority to determine policy directions based on an assertion of superior economic knowledge—knowledge of the way in which the economy operates and should operate. Economics constitutes the powerful thought collective, an institutionalised community providing the interpretive strategies on which this fundamentalism depends. As contemporary historian of economic ideas and economic methodologist Mark Blaug tells us, however, economics is sick, having abandoned any genuine attempt to understand how real markets work for the soporific scholasticism and empty formalism of esoteric intellectual models.<sup>22</sup> This reflects a bias in ancient Greek, Christian and Enlightenment thought in favour of contemplation and theory over practice. Indeed, Joseph Needham (1900–95), the famous historian of Chinese science, warns us that ‘there has always been a close connection between these rationalist anti-empirical attitudes and the age-old superiority complex of administrators’.<sup>23</sup>

In this spirit, I argue that the idealisation—even idolisation—of markets and of the individual economic actor, which is at the heart of mainstream economics, elevates and distorts their place in the economic system. As we will see later, modelling economic processes as if they were a mechanical system is a fundamentally flawed research strategy. Inappropriate policies derived from these strategies are, however, applied every day without any recognition of their shallow foundations.

Again, such attitudes are reinforced by the triumphal and imperialist pretensions of economics as illustrated by the following recent claims by Jack Hirshleifer, which fly in the face of daily experience: 'There is only one social science... What gives economics its imperialist invasive power is that our analytical categories—scarcity, cost, preferences, opportunities, etc—are truly universal in applicability... Thus economics really does constitute the universal grammar of social science.'<sup>24</sup>

Consistent with the above, Hirshleifer earlier revealed social Darwinist tendencies with his adulation of the survival of the fittest when, failing to notice the fundamental importance of social cooperation in human evolution, he claimed falsely that 'the evolutionary approach suggests that self-interest is ultimately the prime motivator of humans as of all life'.<sup>25</sup>

Gary Becker, another Nobel Prize winner, expresses similar sentiments in his *Treatise on the Family*:

[The] economic approach is not restricted to material goods and wants or to markets with monetary transactions, and conceptually does not distinguish between major and minor decisions or between 'emotional' and other decisions. Indeed...the economic approach provides a framework applicable to all human behaviour...all types of decisions and to persons from all walks of life.<sup>26</sup>

Consequently, Becker makes the wild claim that there is a market in marriages. To conceive of the social, legal institution of marriage in such terms is, however, to debase marriage into long-term prostitution, and human beings into commodities. Becker claimed that his Nobel Prize reflected an official institutional recognition within economics of the extension of the domain of microeconomic analysis to a wide range of non-market behaviours.<sup>27</sup> It is this overblown confidence in the capacity of economics to analyse all issues and solve all problems that leads to such policy nonsense as the following from leading American economist and legal theorist Judge Richard Posner: 'The baby shortage and the black market are the result of legal restrictions that prevent the market from operating as freely in the sale of babies as of other goods. This suggests as a possible reform simply eliminating the restrictions.'<sup>28</sup>

One is reminded of Jonathan Swift's (1667–1745) satirical proposal that the Irish poor breed their babies for the table. That the overwhelming majority of the population rightly regards the sale of babies as morally repugnant and utterly unacceptable seems to have passed Posner by. One wonders whether—following the same logic—he is prepared also to deregulate the market for judicial judgements, or does he somehow consider the moral and legal obligations of judicial officers to be more sacred than the moral and legal obligations of parents for their babies?

Importantly, not all prominent economists share these sentiments. For example, Joseph Schumpeter (1883–1950) told us ‘[n]o social system can work which is based exclusively upon a network of free contracts between [legally] equal contracting parties and in which everyone is supposed to be guided by nothing except his own [short-term] utilitarian ends’.<sup>29</sup> Similarly, contemporary English economist Paul Ormerod warns us: ‘The ability of economists to claim omniscience, to believe that the discipline is the first to explain anything worth knowing, really is extraordinary and can only serve to irritate both students and non-economists.’<sup>30</sup>

In short, such intellectual arrogance rightly infuriates everyone else. Implicit in this imperialism is the positivist aspiration for economics to become the physics of the social disciplines, with the status of the overarching and privileged social theory. As we will see later, this aspiration has its roots in the Enlightenment<sup>31</sup> and the particular form of social and political theorising that it spawned. In addition to enhancing the self-importance of such economists, this aspiration has the added advantage of saving them from the trouble of listening to what other social theorists have to contribute to our understanding of human society. It also saves them from having to deal with a vast literature challenging their knowledge claims. A wide range of opinion from leading social scientists and philosophers will be cited throughout this book to illustrate the point. The simplistic attempts to explain the operations of our various political systems and constitutional arrangements using neoclassical economic principles are examples that give rise to particular concern. Much opposition to government coordination and regulation flows directly from these crude attempts.

While this fundamentalism involves a misuse of mainstream economic analysis, the economics profession as a whole cannot avoid some responsibility for this misuse of its analysis to undermine confidence in collective decision making and action. After all, even libertarian philosopher and economist Friedrich von Hayek (1899–1992) warns us that an ‘economist who is only an economist is likely to become a nuisance if not a positive danger’.<sup>32</sup>

The intellectual arrogance noted above contrasts with the more usual and more modest understanding that the social sciences ‘are composed of “schools”, “paradigms”, “research programmes”, “approaches”, or “theories”, none of which has a monopoly on knowledge’. Consequently, ‘a knowledge of social science involves acceptance of eclecticism and a multitude of ways of knowing’.<sup>33</sup> The very study of mainstream economics, however, involves an insidious commoditisation by which all human activity is reduced to a single motive—individual gain—with all social institutions to be derived from that motive. As Edgeworth claimed in 1881: ‘The first principle of Economics is that every agent is actuated only by self-interest.’<sup>34</sup> As Nobel Prize-winning economist Amartya Sen has confirmed, while this attitude reflects particular

formulations of certain general philosophical questions posed in the past, it survives intact in much modern economic theory.<sup>35</sup> Mainstream economics has failed to pay regard to the institutional frameworks that discipline self-interest and individual choice, enable economic activity and underpin society. Furthermore, such economists have failed to notice that—on their own account—we ought to conclude that their arguments reflect only their own self-interest, having no necessary relation to the truth.<sup>36</sup> Furthermore, if the rational-expectations theory were true there would be no need for economists at all.<sup>37</sup> Their own conduct gives the lie to what they are saying.

Importantly, modelling human beings only as self-interested utility maximisers is inherently debasing. This is no new objection. John Stuart Mill (1806–73), one of the heroes of liberalism, in criticising similar assumptions made by utilitarian philosopher Jeremy Bentham (1748–1832), had this to say in 1861:

Nothing is more curious than the absence of recognition in any of his writings of the existence of conscience...Nor is it only the moral part of man's nature, in the strict sense of the term—the desire for perfection, or the feeling of an approving conscience or of an accusing conscience—that he overlooks; he but faintly recognises, as a fact in human nature, the pursuit of any other ideal end for its own sake. The sense of honour, and personal dignity—that feeling of personal exaltation and degradation which acts independently of other people's opinion, or even in defiance of it; the love of beauty, the passion of the artist; the love of order, of congruity, of consistency in all things, and conformity to their end; the love of power, not in the limited form of power over other human beings, but abstract power, the power of making our volitions effectual; the love of action, the thirst for movement and activity, a principle scarcely of less influence in human life than its opposite, the love of ease—none of these powerful constituents of human nature are thought worthy of a place among the 'Springs of Action'...Man, that most complex of being, is a very simple one in his eyes.<sup>38</sup>

I would go further. It is not so much that such an account of human motivation is partial but that it is grossly distorted and destructive of human sociability. It leaves out and undermines our most important qualities—the qualities that make us human and life worthwhile. In particular, it leaves out the capacity to love and care for our families, our friends and neighbours, broadly defined. It is those loving relationships that guide and nurture our developing consciousness in the first place.

When one takes a serious look at the care and attention being poured into our family, friends, colleagues and fellow citizens, the economic aspects of our lives beyond the basic level of sustenance pale into insignificance. In short, modelling

human beings as essentially self-interested utility maximisers misconceives radically the nature of humankind. When have any of us attended a funeral to hear the deceased described with approval as the essential human being: ‘a utility maximiser, with a healthy self-image’? To the extent that we harbour such thoughts, we are more likely to think: ‘he was a selfish bastard, who won’t be missed’. Much—if not most—of life is taken up with the very long-term care of those closest to us and this everyday, complex experience defies reasonable description as self-interest. When it comes to the crunch, we expect our emergency services and military personnel to place their lives at risk in the service of their communities, in their line of duty—and they do! Ordinary people rise to great heights of heroism to help and save complete strangers. We talk, write and make films endlessly about this extraordinary aspect of human life, so there is no excuse for so-called ‘scientific theorists’ to downplay or ignore it in the interest of their half-baked parsimonious explanations. Importantly, this modelling also leaves out of the equation the continuing conflict between that capacity to love and care and our greed and lust for power—tendencies that have to be disciplined if human society is to survive and flourish.

This social theorising, this particular form of story-telling, this attempt to make sense of particular aspects of human experience, is closely related to the question of who we are—a question that has exercised the imaginative, speculative narratives of human beings since the dawn of time. Stories of the gods, therefore, helped ancient societies to introduce a narrative unity into the diversity of observed events, simplicity into complexity and order into disorder.<sup>39</sup> More recently, this story-telling has been motivated in part by a general desire to find secular substitutes for the certainty and existential comfort that we derived formerly from religion and its stories<sup>40</sup> in the face of the mystery of existence, the fear of death, the trials of daily life and the sense of alienation we feel in our contemporary, individualistic, technological civilisation. This mystery and the attendant fears are always with us,<sup>41</sup> along with a pressing desire to find meaning in life and to control our destinies. This search for meaning necessarily involves reference to something or someone beyond the self<sup>42</sup> and seems to be the inevitable result of the development of consciousness, language and narrative, and the associated attempt to ascribe meaning and intentionality to what we perceive, including our perception of ourselves. As leading symbolic anthropologist Clifford Geertz (1926–2007) explains, the problem of meaning raises the threat of chaos, creating in us an intolerable sense of analytical, emotional and moral impotence.<sup>43</sup> Furthermore, as Israeli sociologist Shmuel Eisenstadt argues, the radical division that exists between the heavenly ideal world and the everyday world in the Western tradition has exacerbated the above tensions, rendering grace unattainable and spawning a this-worldly asceticism in the search for secular substitutes for grace.<sup>44</sup>

Similarly, American philosopher David Loy—arguing from a Buddhist perspective—suggests that in the West we have been engaged in an increasingly this-worldly search for somewhere to ground our sense of self in the face of the breakdown in traditional beliefs. He tells us: '[I]nsofar as we think we have escaped such a spiritual drive we are deceiving ourselves, for that drive...still lives on in uncanny secular forms that obsess us because we do not understand what motivates them.'<sup>45</sup> In particular, lacking a traditionally religious conception of sin, we are left without a means of expiating our sense of guilt and the emptiness at our core. Loy goes on to argue that many of our modern worldly values acquire their compulsiveness—and many modern institutions their authority—from this misdirected spiritual drive.

These tensions demand some response, some faith to somehow secure our network of beliefs and to justify our practices. Consequently, society remains theological because its values and institutions cannot help being based on some ultimate view about human nature. Consistent with this view, Geertz defines religion as a system of symbols that acts to establish powerful, persuasive and long-lasting moods and motivations in people by formulating conceptions of a general order of existence and clothing these conceptions with such an aura of factuality that the moods and motivations seem uniquely realistic.<sup>46</sup> In this sense, religious beliefs remain inescapable<sup>47</sup> and act to justify and sustain our socio-economic order. In pre-literate tribal life, oral and other symbolic forms were considered openly magical and complex social differentiations were employed to ensure the proper use of symbolic and oral language. In these earlier societies, religious specialists, shamans, astrologers and medicine men were the guardians of the most powerful words, symbols and stories about the conduct of social life,<sup>48</sup> and were, as a result, the most respected and powerful members of those societies.<sup>49</sup> In our society, however, it is the scientist who has displaced the priest as the moral exemplar and the person who keeps humanity in touch with something beyond us<sup>50</sup> —the 'really real'. This explains the desperate anxiety of numerous disciplines, including economics, to be seen as being 'scientific'. This becomes particularly dangerous when combined with intellectual and spiritual arrogance and the desire to work policy magic. This does not mean that these religious are insincere; they truly believe they are serving the greater good—but so were the Mayans as they ripped the hearts out of their sacrificial victims.

This particular economic faith—economic fundamentalism, which is an institutionalised and extreme form of secularised Calvinism—arises under the influence of the pseudo-religious beliefs of the Enlightenment and the associated erosion of traditional religious beliefs. This faith resonates in modern materialistic societies where material success is equated with moral virtue and high status.<sup>51</sup> The need to erect new faiths as old faiths are eroded has been compounded by

modernity's misplaced confidence that science can deliver certain knowledge to produce a secularised form of religious fundamentalism based on an excessive faith in the justice, efficiency and rationality of market processes and determined to root out what it sees as the evil of excessive government. Given the extent to which other forms of fundamentalism have caught on in the United States—and the historical influence of Calvinist theology, possessive individualism and Lockean political thought in forming that country's unique understanding of itself—it is not surprising that this particular form of fundamentalism has a strong grip there. In this regard, Martin Marty and Scott Appleby describe fundamentalism as a habit of mind found within religious communities among beleaguered individuals who feel that their identities are at risk.<sup>52</sup> In the search for doctrinal simplicity, certainty and right behaviour, fundamentalists are driven to a selective retrieval of doctrines, beliefs and practices from a sacred past. Renewed religious identity therefore becomes the absolute basis for recreating the political and social order by an authoritarian leadership. The evangelical, proselytising nature of such fundamentalism makes a particularly powerful brew when married to the American understanding of themselves as the new Chosen People, occupying the new Promised Land with a special mission in the world sanctioned by God.<sup>53</sup>

Going much further than can be justified, feigning scientific objectivity and claiming certainty, the dogmatic prophets of profit behave, on the whole, like the priestly class of an exotic cult, waging holy war to create new theocratic states in which their interpretation of neoclassical economics and libertarian philosophy provides the core theology. In common with other cults, other fundamentalisms, other emotional bolt-holes, this theology involves an exotic closed system of knowledge beyond the understanding on non-initiates whose protests are dismissed arrogantly as the bleatings of the ignorant. Having erected a disciplinary edifice as elaborate as any created by medieval scholastic theology, the devotees stand fearful behind walls built on simplistic and unrealistic assumptions ready to repel all critics through obscure terminology and labyrinthine reasoning—a new Tower of Babel resplendent with intellectual pride.

Wielding significant influence over government, such economists are the new theocracy, the contemporary manifestation of Plato's guardians. Economics provides true believers with a new faith tradition complete with values, ideas of welfare<sup>54</sup> and of progress, which dominate public discourse and which seek to reshape our institutions and organisations.<sup>55</sup> Indeed, the similarity between economics and religion has often attracted comment. For example, American theologian Harvey Cox<sup>56</sup> recently reported that most of the concepts he came across when reading the business pages were quite familiar. He tells us that the language of those pages bears a striking resemblance to Genesis, the Epistle to

the Romans and Saint Augustine's 'City of God'. Cox is not alone in detecting in such pages an entire theology, a grand narrative about the inner meaning of human history, why things went wrong and how to put them right. What he finds in the business pages—in only thin disguise—are the theologian's myths of origin, legends of fall and doctrines of sin and redemption: chronicles about the creation of wealth, the seductive temptations of statism, captivity to faceless economic cycles and, ultimately, salvation through the advent of free markets—with a small dose of ascetic belt tightening along the way. There were even sacraments to convey salvific power to the lost, a calendar of entrepreneurial saints, an evangelising group and a teaching about the end of history or what theologians call eschatology. Then there are the heretics and infidels, those who refuse to bow down before these religious beliefs and who have been cast into outer policy darkness.

The consequence has been that the market system—which is only an evolved organisational technique for coordinating a disparate set of 'economic' activities, a cultural artefact—has become an end in itself, the object of excessive devotion and the source of our identity. Economists and libertarians have helped turn a useful, if flawed, tool into a god—THE MARKET—which we all must serve. Such conduct used to be called idolatry, a demonic perversion of true religion, something that used to be considered the gravest of all human failings. This idolatry threatens to enslave us all by misleading us about what is necessary to a worthwhile life.<sup>57</sup> This cult is creating a vicious cycle of commoditisation, undermining other values and promoting an ever-increasing culture of production and consumption under the delusion that this is the path to true happiness, the path to a secular salvation.<sup>58</sup> This is, however, a spiritual need that production and consumption cannot meet. As William Barrett warns us: 'Nothing is more compelling, and more dangerous, than the idea that is all-embracing, unqualified, and so simple that it appears to settle all doubts.'<sup>59</sup> The result for Loy is that 'the market' cult has become the most successful religion of all time—achieving an almost universal hegemony.

This is no idle comparison. Economists in contemporary capitalist states exercise as much power as the high priests of old or as the Inquisition in Medieval Europe. Developing countries, for example, have been subjected to enormous pressure to 'liberalise' from economists in international economic institutions such as the World Bank, backed by sanctions every bit as effective as those exercised by earlier religious authorities—even if they are less overtly violent—and often with catastrophic results.

My preference for the term economic fundamentalism has the added advantage of not being as open to vicarious insult from economic fundamentalists claiming that their critics are economic irrationalist—the 'trick of charging anyone who does not agree with a particularly narrow version of French rationalism or British

empiricism as an “irrationalist””.<sup>60</sup> As Quiggin points out, dogmatic assertions and the claim that anyone who holds contrary views is not a real economist are standard features of economic fundamentalist rhetoric.<sup>61</sup> This dogmatism flows from an ill-founded belief that neoclassical economics provides us with *the* scientific explanation of economic phenomena—an explanation that aspires to the status of absolute scientific truth. As John Ralston Saul has pointed out, however, such certainty is simply a form of bullying.<sup>62</sup> As we will see later, it is the economic fundamentalists who are the poor economists and philosophers.

The infiltration of economic fundamentalism into public policy debates in recent decades has seen the adoption of a new radical ‘conservatism’<sup>63</sup> and the progressive slide of Western democracies towards the political Right. In that slide, the very different terms ‘democracy’ and ‘market economy’ have been conflated in the minds of many analysts—particularly in the United States—despite the tensions between them. Words such as ‘choice’, ‘liberty’, ‘freedom’, ‘democracy’, ‘reform’, ‘progress’, ‘rationality’ and ‘man’—symbols that have resonated powerfully in the Western tradition—have become some of the more abused terms in political discourse as a result of the attempt to appropriate them to serve these radical views. The consequence has been that a small, privileged, insulated, economic and political elite—hiding behind the claimed value neutrality of and ‘scientific’ status of economics—has imposed its impoverished political philosophy, values and sectional interests on the wider community under the rubric of ‘economic reform’.

This slide to the Right has been assisted by the process of globalisation—a process tending to homogenise Western capitalism and cultures around what are claimed to be American models and values with the very strong support of international economic agencies and the US government. In this regard, Stiglitz forthrightly acknowledges and rejects the recent ideologically driven, self-serving hypocrisy and the bullying involved in US advocacy of deregulated markets and in US trade policies and their inconsistency with the principles of social justice and democracy.<sup>64</sup> Of course, those who see the United States as an exemplar have forgotten that it was only a little time ago that the US economy was performing very poorly compared with the then exemplars of Japan and Germany. In this regard, it is important to emphasise that capitalism is only a relatively recent development and that it is not a monolithic system, the same in every manifestation. There have been significant differences in the institutions, values and traditions underpinning the market systems of different countries. In particular, America’s Puritan heritage and her Lockean political philosophy have involved a strong emphasis on legalistic property and individual rights. This has led to the idea of ‘America’ and her moral values, her distinctive civil religion, her particular construction of a collective identity, being centred on the individual and on individual instrumental reasoning, rather than in the public

sphere as in some other countries. The American secularised Calvinist search for signs of 'divine election', signs of participation in a secularised 'Kingdom of God' on Earth, has become centred on individual economic status. These factors have shaped America's particular understanding of capitalism as a system with special moral status. That system has increasingly occupied the central place in the US version of modernity and has led to enormous pressure on other US institutions such as the State, the family and the Church to accommodate themselves to the logic of the market, while undermining the idea of politics as a shared search for the good of society.<sup>65</sup>

The United States is not, however, the Kingdom of God, or Augustine's 'City of God'; it is just another human construct with all the imperfection that this implies. For Robert Bellah, this ethic of individualistic self-interest<sup>66</sup> has resulted in the loss of the American vision of good. Similarly, Ann Swidler detects a depletion of America's cultural, institutional and social infrastructure.<sup>67</sup> They argue that US coherence as a society depends to a significant extent on its pre-modern and early modern religious inheritance—an inheritance that is eroding in the face of the competition for wealth and power and the atomising tendencies inherent in possessive individualism. Similarly, leading American theologian Stanley Hauerwas believes that the American experiment is in deep trouble.<sup>68</sup> In effect, THE MARKET demands devotion in all realms of life. Nevertheless, the dominant position of the United States as the most significant economic and military power in the contemporary world is playing a key role in spreading these particular individualistic values—with their anti-statist bias, their relative indifference to equity and a particular interpretation of capitalism—to other countries on the unexamined assumption that the United States and its particular institutional arrangements provide a universal model for the rest of us.

One mechanism for the dissemination of US values is the current dominance of the economics profession by Americans. As Stiglitz confirms, the basic tendency of most American economists is to presume that markets work generally by themselves and that there are just a few limited instances in which government action is needed to correct 'market failure'. He also reminds us that the economic foundations for these assumptions are weak:

In a market economy with imperfect and asymmetric information and incomplete markets—which is to say, every market economy—the reason that Adam Smith's invisible hand is invisible is that it does not exist. Economies are not efficient on their own. This recognition inevitably leads to the conclusion that there is a potentially significant role for government.<sup>69</sup>

This resort by American economists to a culturally specific framework should come as no surprise, as one of the themes in the philosophy of the social

disciplines is the very difficulty of stepping outside one's cultural framework. In any event, the tacit assumptions of more conventional American economists have largely shaped the creation of economic 'knowledge' and its dissemination in recent decades. There is also the particular danger that, in a world characterised by high mobility of capital, skilled labour and ideas, the neo-conservative policies and practices of the United States are inducing a competitive rush to the bottom—to the lowest common denominator—in the same way that the Great Depression was exacerbated by the beggar-thy-neighbour policies adopted throughout the world at that time.

The reality of American life, however, falls far short of its democratic ideals and its image of itself as God's own country. The United States—with its 'weak' State, its government captured by business interests, its declining public infrastructure, its large exploited underclass, its huge disparities in income and wealth, its high levels of economic insecurity, its 46 million citizens without health insurance, its high levels of crime and violence, its very high murder rate and its disproportionately high prison population—is not necessarily a country that everyone else, let alone God, wants to emulate. What's more, recent research has shown that the belief that the US system promotes a high level of social mobility is untrue.<sup>70</sup> This is a country awash with arms and whose popular culture glorifies violence. The consequence, as John Gray points out, is that the United States and Russia are the only advanced countries in the world to use mass incarceration as a means of social control.<sup>71</sup> This mass incarceration reflects the weakened condition of the other institutions on which social cohesion depends. This criticism is not intended to deny the many great achievements of US society, or the fine quality of many of its citizens and institutions, including its tradition of private philanthropy. Rather, it is to balance any excessive adulation of that society and its market system.

The danger is that the dissemination of these impoverished US values across the world will ultimately undermine the sense of social solidarity and social trust on which the continued existence of societies and nations depend. Globalisation also uproots traditional forms of work, family and community life and brings the risk of polarising communities between a small group of winners and a large group of losers.<sup>72</sup> Consequently, globalisation is a movement many fear as economic and cultural imperialism—a process undermining values important to particular societies while imposing other values espoused by a small imperialist elite, particularly in the United States. Ironically, while being the leading advocate of libertarianism and minimalist government, the United States does not have a purely *laissez-faire* economy. While social policy in much of the United States is mean-spirited and there is much economic exploitation, US governments are highly active when it comes to agricultural, industrial and innovation policy, heavily subsidising new business formation and industrial innovation particularly through the defence budget and through tax policy.

The slide to the Right has had the practical effect of limiting the range of political choices available to us, and of altering the range of political solutions that are viable. For example, there is a significant danger of creating a vicious cycle undermining the public provision of services. The more public services are seen as inferior social safety nets subject to arbitrary rationing—rather than the usual source of high-quality services—the more likely it is that the quality of those public services will be allowed to deteriorate, further eroding public and political support for them. There is a very real possibility of arriving at a tipping point where the public provision of such services is no longer an option. This provides a good reason to oppose the public subsidisation of private services offered in competition to publicly provided services such as we see in mixed public and private health and education systems. A cynic might see here the potential for a political strategy to undermine the public provision of health and education. That same cynic, if he or she were an Australian observer, might wonder whether we are currently witnessing the slow destruction by stealth of Australia's universal health-care system, Medicare, and our public education systems.

No wonder we see Australia as having become a meaner and trickier country in recent years. This slide to the Right has resulted already in the incremental, proximal unravelling of the class compromise achieved shortly after Federation in 1901; the post-World War II government commitment to maintaining full employment; the abolition of our unique industrial arbitration system; a significant widening of income inequalities; an erosion of political commitment to welfare provision—and to egalitarianism more generally; a reluctance to undertake public borrowing for infrastructure investment; and an excessive government focus on narrow financial considerations at the cost of broader economic and social concerns. Let us be quite clear, however, about those narrow financial considerations. No special economic virtue attaches to very low levels of public-sector borrowing. Rather, it is responsible for governments to borrow for investment in long-lived capital. What matters for macroeconomic management is the total demand on resources and the productive capacity of the economy and its growth. That management involves a balanced application of monetary and fiscal measures and not an exclusive focus on monetary measures.

Economic fundamentalism has also elevated the corporate sector to a privileged position in economic life in which private enterprise is claimed to be inherently superior to government action<sup>73</sup>—an elevation reflected in the absurd, but widely promoted, belief that the private sector is the source of all economic welfare. In its exaggerated admiration for efficiency, flexibility, all things private and the American way, economic fundamentalism brings with it what is known as 'managerialism'—a process in which private-sector methodologies and language have invaded the public sector, transforming the way it is organised

and operates. This managerial fad, while claiming to be democratic and responsive, is in fact extremely conformist and authoritarian.<sup>74</sup>

Economic fundamentalism is associated also with a privileged vocabulary, which is used to frame contemporary policy debates, to provide simple, pre-constructed answers to complex questions and as clinchers to particular policy arguments: terms such as ‘government intervention’ (the characterisation of government activity on behalf of the community as an intrusion into the proper order, justifiable only by special economic circumstances); ‘fiscal consolidation’ (the advocacy of balanced government budgets at low levels of spending); ‘globalisation’ (close international economic integration, bringing with it the potential loss of the ability to manage our economic affairs); ‘the level playing field’ (the use of a trivial sporting analogy to oppose government assistance to firms or industries); ‘microeconomic reform’ (the wholesale scrapping of organisational arrangements developed over decades); ‘privatisation’ (the government’s sale of the public’s interests in a range of infrastructure services, sometimes at discounted prices); ‘competition policy’ (the unjustified assumption that unbridled competition between business entities will necessarily improve the lot of consumers and consequently general welfare, and the extension of that assumption to government business enterprises); ‘deregulation’ (the removal of government constraints on business activity imposed originally to serve competing values, including limiting the abuse of market power, protecting public safety and ensuring equitable treatment); ‘labour-market reform’ (the reduction of human labour to a commodity, a concerted attack on unionism and the dismantling of institutional protection for workers, bringing with it the potential for a resumption by business of class warfare); ‘public–private partnerships’ (justifying the private provision of basic infrastructure services in return for monopoly rents); and, most recently, ‘mutual obligation’ (a new version of the concept of the deserving poor). As such, they operate as rhetorical devices to persuade policy makers and to quieten critics.

In short, economic fundamentalism provides the dominant vocabulary, the group-think and the narrative frameworks that we use currently to legitimise public policy decisions. They operate as blinkers to close minds to other influences, other possibilities and other better worlds. In particular, these pre-digested policies relieve us of the need to attend closely to the stories of our people in their daily circumstances, rather than the speculative stories of our economists. The heroic faith in progress inherent in these latter stories also relieves us of the need to examine our past experience because, by definition, that past is incapable of challenging the present. They also encourage us to forget that, even in rich Western countries, let alone in underdeveloped countries, Lazarus still sits at our gate. We have, however, forgotten the story of Lazarus, which once challenged us to abandon the ancient self-righteous belief that material success is a sign of individual moral virtue and of God’s favour.<sup>75</sup>

This political language has been developed in a radical attempt to redefine Australian society and its institutions, and the values that underpin them. This is because the stories we tell, and the language we use to create our understanding of who we are, how things are to be explained and how we should act. They provide the 'master narratives' or the 'master plots' by which we structure our lives, and by which 'good' and 'evil' can be identified—creating views of the world out of which it is very difficult to break.<sup>76</sup> They also define the communities to which we can belong. In particular, participation in contemporary policy communities involves a mastery of a particular form of language game—economic stories derived from neoclassical economics and its associated vocabulary and a willingness to use them to the exclusion of other stories and other vocabularies. Through these stories and their slogans, economic fundamentalists seek to control the ways in which we think about the human condition and how we frame questions. These slogans are, therefore, instruments of power, providing a contemporary version of George Orwell's 'Newspeak'. Like Newspeak, this is language designed to narrow the range of thought and to eliminate the possibility of expressing contrary ideas, feelings and qualities.<sup>77</sup> As guardians of these powerful sacred words and symbols, economic fundamentalists—like previous priestly classes—are among the most powerful members of contemporary society, obliging our politicians to invoke their sacred, magic words to justify their decisions. They have influenced heavily the trajectory of government action in many countries, including in Australia since the beginning of the Hawke government. It explains the desperate continuing need of political leaders and aspiring leaders to appear to be economically literate and fiscally conservative. Worse, much worse, they are also influencing the activities we legitimise to ourselves, and the way in which we understand ourselves.

A similar movement in the nineteenth century—which remained influential until the Great Depression of the late 1920s and 1930s utterly discredited its disastrous policy prescriptions—went under the name of *laissez-faire*. The two movements share much in common, and economic fundamentalism can be seen as a return to the values advanced by *laissez-faire*. For example, contemporary Australian sociologist Michael Pusey, in *Economic Rationalism in Canberra*, sets out to account for what he calls a 'new and minimalist *laissez-faire* state set in norms that come from a dominating neoclassical economic rationalism that is anti-statist, anti-union and either asocial or anti-social in its basic orientation to policy'.<sup>78</sup>

It is important to recognise, however, that economic fundamentalism arises from a number of separate, though interrelated, sources, supported by powerful interests and strong propaganda, providing 'erroneous interpretations of the

past, simplistic nostrums for the present and promises of universal benefits in the future'.<sup>79</sup> Those sources include:

- the attempt of neoclassical economics to provide 'natural laws' of economic activity modelled on the formalisms of the classical physics of about the 1850s
- a parallel attempt of political and moral philosophy in the Enlightenment tradition, particularly in Britain and the United States, to provide a comprehensive 'rational' or 'scientific' justification of political and moral arrangements and to rebuild those arrangements
- a related exultation of a particular negative view of freedom and of rugged individualism, along with the promotion of fear of big government, by Libertarian philosophers, the extreme contemporary followers of John Locke (1632–1704), as exemplified in the writings of Friedrich Hayek (1899–1992), James Buchanan (b. 1919), Ayn Rand (1905–82) and Robert Nozick (1939–2002)
- a related application of crude social Darwinist ideas to political and social systems
- the use of these ideas as an ideological justification of the capitalist system, particularly in the face of the challenge posed by Marxism during the Cold War
- the exploitation of those writings by business and political elites as a form of self-justification for their privileges and obscene salary levels,<sup>80</sup> and as a means of undermining close government regulation of their activity.

Importantly, economists speak about contemporary public policy issues with an apparent authority—an authority they claim to derive from their economic expertise. Webb, however, claims that what 'the social scientist cannot do is either take over the policy-making process with a legitimacy derived from being a social scientist, or act as an *eminence grise* behind the policy-making throne while pretending to remain a social scientist'.<sup>81</sup>

Nevertheless, economists have been active and influential in public policy debates from the dawn of the profession—very often in opposition to social initiatives to improve the lot of the underprivileged. Such was this influence that British statesman and political philosopher Edmund Burke (1729–97) described the eighteenth century as the age of the economist.<sup>82</sup> Indeed, Smith's *The Wealth of Nations*, published in 1776, had a major impact on political thought and on leading politicians, including the then Prime Minister, Pitt the Younger (1759–1806). Unfortunately, the parts of Smith's thought that suited the propertied ruling class were appropriated while his concern for moral sentiments and justice for the poor were ignored.<sup>83</sup>

Similarly, Bentham's *Defence of Usury* of 1796 provided the intellectual foundations for later efforts to repeal usury laws in England and the United States.<sup>84</sup> By the end of the century, the classical economic literature was well known to the educated public and was influential in policy making generally. Given the proliferation of a wide range of technical and scientific information in the same period, it is not surprising that these speculations and the associated policy ideas took on the authority and prestige of the science and technology of the time. Paul Mantoux, writing about the same period, tells us:

The policy of *laissez-faire* was supreme and went unchallenged in the Courts as well as in Parliament. While that policy, at first, had been purely empirical, and had not been followed in all cases, it was now supported by the peremptory formulas of political economy: there it found its theoretical justification while its actual *raison d'être* and its practical power was derived from the interests of the capitalist class. Theory and interest, walking hand in hand, proved irresistible.<sup>85</sup>

The result was an intensification of economic exploitation and political oppression.<sup>86</sup> Edward Thompson, for example, described the enclosure movement—a movement that had been under way for a long time—as a plain case of class robbery. Stretching back into Tudor times but intensifying in the late eighteenth century, that movement occurred under rules established by a parliament of property-owners and lawyers in which new capitalist property definitions were imposed on rural villages, dispossessing the occupiers of common-right cottages of their customary rights and converting some of those rights to theft, which was severely punished. It was, however, these customary rights that had enabled the rural poor to subsist. The result was the destruction of traditional English peasant society, a radical sense of displacement and the proletarianisation of a growing army of labourers.<sup>87</sup> Gray calls this period a far-reaching experiment in social engineering designed to free economic life from social and political control, breaking up the socially rooted market that had existed in England for centuries.<sup>88</sup> It was an experiment that threatened to undermine social cohesion.

It was a harsh time for the working class and the poor in England, reflecting the very uneven distribution of power and wealth; they were generally held in contempt by an arrogant, indolent, ruling elite—the propertied class—who saw the working class as idle and depraved. Consequently, working people were denied basic political rights and their agitation for such rights was suppressed violently in the panic generated by widespread unrest and by the French Revolution.<sup>89</sup> Pitt the Younger, the admirer of Smith, was responsible for a series of repressive actions and legislation between 1793 and 1801.<sup>90</sup> For example, the 1793 *Aliens Act* prevented any French Republican from coming to England. The leaders of the London Correspondence Society were arrested in 1794,

questioned by the Privy Council—including Prime Minister Pitt—and charged with high treason, the penalty for which was hanging, drawing and quartering.<sup>91</sup> The society itself was outlawed.

In 1794, the suspension of habeas corpus also allowed the arrest and imprisonment of people ‘on suspicion’, without requiring charges or a trial. Local Justices of the Peace (JPs), who came from the propertied class, were ordered to investigate and prosecute leaders of the Correspondence Societies. Many were imprisoned as a result. Tom Paine’s *Rights of Man* of 1791–92, which attacked the monarchy, class privilege and the barbarity of the penal code, and which advocated income tax, family allowances, public education, old-age pensions and maternity benefits, was banned as seditious libel and he was driven into exile. Similarly, the 1795 *Treasonable Practices Act* made a vicious attack on personal liberties, extending the definition of ‘treason’ to include speaking and writing, and attacking public meetings, clubs and the publication of pamphlets. In 1795, the *Seditious Meetings Act* required public meetings of more than 50 people to be authorised by a magistrate, while JPs were given discretionary power to disperse any public meeting. In 1797, taxes on printed matter were increased vastly to price cheap periodicals out of the market. In 1799 and 1800, the *Combination Acts* forbade societies or amalgamations of people for the purpose of bringing about political reform, while interference with commerce and trade became illegal. This legislation was not repealed until 1824.

The breaking of machines in the face of widespread economic distress induced by the competitive pressures of industrialisation was made a capital offence in 1812. At least 33 men were executed as a result, including one Abraham Charlston, who was only twelve years old and who reportedly cried for his mother on the scaffold.<sup>92</sup> Others were transported to New South Wales. The Scottish courts were even more repressive than the English courts.<sup>93</sup> In summary, it can be said that not only was the working class subject to severe economic exploitation and distress, the attempt on its part to combine to obtain better wages and conditions was ruthlessly opposed. As recently as 1844, the minimum age for entering factory work was reduced to eight years of age under pressure from mill owners.<sup>94</sup>

Another important early economist was Thomas Malthus (1766–1834). He claimed in 1798 that economic science had found that ‘man’—with his inherent self-interest—was inert, sluggish and averse to labour unless compelled by necessity to be otherwise. For Malthus, the problem of the poor was the problem of over-population. For him, there were too many poor people—they were redundant! In this view, poverty was the natural condition of life for most people.<sup>95</sup> He attributed this problem to the failure of the poor to restrain their sex drives, outstripping the ability of the Earth to provide sustenance, bringing in turn numerous miseries that governments were powerless to prevent. He went

on to assert that the only way to eliminate pauperism was to eliminate the humanitarian reforms that permitted the poor to maintain themselves and to propagate.<sup>96</sup> In practice, the most potent check on over-population was high infant mortality in poor families. He went on to claim that the 'infant is, comparatively speaking, of little value to the society, as others will immediately supply its place'.<sup>97</sup>

To our eyes, these claims are morally bankrupt. Malthus, however, failed also to appreciate the impact that increasing productivity would have on enhancing the lives of subsequent generations and the way the birth rate would fall as a result. Nor did he appreciate the need for the poor to have numerous children to ensure that some survived to support their parents in their old age—they had large families because they were poor. Furthermore, the issue of the time probably had more to do with the distribution of the benefits of productivity growth than with population growth outstripping productivity. Nevertheless, his views were used to bolster the case for harsh treatment of the poor and unemployed.<sup>98</sup> This influence led William Hazlitt to say about Malthus and the poor in 1807:

His name hangs suspended over their heads, *in terrorem*, like some baleful meteor. It is the shield behind which the archers take their stand, gall them at their leisure. He has set them up as a defenceless mark, on which both friends and foe may exercise their malice, or their wantonness, as they think proper... Their interests are at best but coldly and remotely felt by the other classes of society. Mr Malthus's book has done all that was wanting to increase this indifference and apathy.<sup>99</sup>

These attitudes helped fuel the belief on the part of the politically influential that relief over and above dire necessity led to an excessive rural population and to idleness. Such moralising was reflected, for example, in the invention of the distinction between the 'deserving' and 'undeserving' poor with the *Poor Law Amendment Act* of 1819. Some Malthusian crank in 1838 even proposed the infanticide of every third child to deal with the population explosion.<sup>100</sup>

Another famous pioneering English economist and parliamentarian David Ricardo (1772–1823) endorsed explicitly *laissez-faire* doctrines.<sup>101</sup> According to his 'Iron Law of Wages', all attempts to improve the real income of workers were futile: of necessity, wages remained near the subsistence level. Ricardo, like Malthus, was a strong advocate of the abolition of the Poor Laws and the abolition of outdoor relief: 'While the present laws are in force, it is quite the natural order of things that the fund for the maintenance of the poor should progressively increase till it has absorbed all the net revenues of the country.'<sup>102</sup>

According to Ricardo, the Poor Laws simply moved money from the workers to the idle, while Malthus claimed that they were an inhuman deceit. Not only did Ricardo believe that all contracts should be left to the freedom of the market,

he believed that the law needed to facilitate exchange: ‘Like all other contracts, wages should be left to the fair and free competition of the market, and should never be controlled by the interference of the legislature.’<sup>103</sup>

As we will see later, this attitude pays no attention to asymmetries of power and knowledge in such relationships; and those Poor Laws were very harsh. For example, some of the transactions between factory owners and the Poor Law authorities regarding the employment of pauper children resembled the slave trade.<sup>104</sup> The slave trade itself was abolished by Britain only in 1807 and slavery more generally only in 1833.

Ricardo also opposed the Usury Laws in 1818 and the renewal of the *Truck Act* in 1822—the latter banning payments in kind. In turn, Nassau Senior (1790–1864) was an adviser to Whig politicians in the 1830s and 1840s.<sup>105</sup> He was also an advocate of *laissez-faire* and was one of the commissioners responsible for the *Poor Law Amendment Act* of 1834. Senior opposed trade unionism and reductions in working hours. Influenced by these advisers, Lord Melbourne, Prime Minister for seven years in the 1830s, believed that the whole duty of government was to prevent crime and to preserve contracts.<sup>106</sup>

This direct influence of the major classical economists was supplemented in the early decades of the nineteenth century by economic popularisers such as James Wilson, the editor of *The Economist*, and Harriet Martineau. They convinced the general public that *laissez-faire* was the practical conclusion of orthodox political economy.<sup>107</sup> As John Maynard Keynes confirms, the doctrine was disseminated by the educational system.<sup>108</sup> One of the strongest and most influential advocates of *laissez-faire* and freedom of contract was social Darwinist Herbert Spencer (1829–1903). He saw close similarity between *laissez-faire* and Darwinism. In his *Social Statics*, Spencer idealised freedom of contract as the supreme mechanism for maintaining the social order with the minimum of coercion. His views were quite extreme—objecting, *inter alia*, to state-aided education, sanitation and public health laws and the licensing of doctors. Indeed, for Keynes, the survival of the fittest could be regarded as a vast generalisation of Ricardian economics.<sup>109</sup>

These attitudes had important social consequences. They contributed to the decline of equity in English common law and the rise of the doctrine of freedom of contract, and therefore to the many abuses tolerated in the name of that doctrine. Opposition to poor relief led to the English *Poor Law Amendment Act* of 1834—the new Poor Laws. The right to poor relief was the last of the rights traditionally enjoyed by the rural poor. The Poor Law Commissioners, using the language of Malthus, described the poor rate as a bounty on indolence and vice.<sup>110</sup> The new Poor Laws were designed to ensure more uniform and harsher treatment of those unfortunate enough to fall within its provisions in the face of more lenient treatment under the decentralised administration of the former

laws. In particular, the act abolished outdoor relief, making it clear that no able-bodied person was to receive assistance from the Poor Law authorities except in a workhouse.

The conditions in the workhouses were deliberately very harsh to discourage people from seeking assistance. This treatment under the 1834 act contrasted with the treatment under the Speehamland System of 1795, 'which sought to maintain the integrity of family, village and parish centres of solidarity and the mutuality of relief and welfare'.<sup>111</sup> Among this harsh treatment was the splitting up of families. The workhouses themselves were little better than prisons. The conditions inspired Thomas Carlyle, in *Past and Present*, to compare the workhouses with Dante's Hell. Consequently, relief under the 1834 act involved the loss of the normal rights of citizenship and of communal ties. British Marxist historian Eric Hobsbawm argues that because the intention was to stigmatise the self-confessed failures of society—rather than helping them—there have been few more inhuman statutes.<sup>112</sup>

It is possible to trace the influence of these attitudes further in the response of the UK government to the potato blight-induced Irish famine of 1845–51. As acclaimed British historian Cecil Woodham-Smith (1896–1977) tells us:

The influence of *laissez-faire* on the treatment of Ireland during the famine is impossible to exaggerate. Almost without exception, the high officials and politicians responsible for Ireland were fervent believers in non-interference by Government, and the behaviour of the British authorities only becomes explicable when their fanatical belief in private enterprise and their suspicions of any action which might be considered Government intervention are borne in mind.<sup>113</sup>

One million people died, half a million people were driven from their smallholdings and two million people emigrated from Ireland as a result—the total population falling by about 25 per cent. Recent British Prime Minister Tony Blair described this tragedy in the following terms:

The famine was a defining event in the history of Ireland and of Britain. It has left deep scars. That one million people should have died in what was then part of the richest and most powerful nation in the world is something that still causes pain as we reflect on it today. Those who governed in London at the time failed their people through standing by while a crop failure turned into a massive tragedy.<sup>114</sup>

Blair was much too polite; it must rank as one of the worst crimes ever perpetrated by a British government—and it did this in the full knowledge of the extent of the tragedy. This led Edward Twistleton—who early on had shared the prevailing prejudices—to resign as the Chief Poor Law Commissioner in March 1849 because 'the destitution here is so horrible, and the indifference of

the House of Commons to it so manifest, that he is an unfit agent of a policy that must be one of extermination'.<sup>115</sup>

The punitive Irish Poor Laws of 1838 were also an important contributor to the tragedy. Modelled on the English *Poor Law Amendment Act* of 1834, they are said to have been even harsher.<sup>116</sup>

The head of the British Treasury during the famine, Charles Trevelyan—who assumed control of the administration of the relief effort—played a major part in inhibiting greater relief efforts by the government. In his view:

The only way to prevent people from becoming habitually dependent on the government is to bring [relief] operations to a close. The uncertainty about the new crop only makes it more necessary. Whatever may be done hereafter, these things should be stopped now, or you run the risk of paralysing all private enterprise and having this country on you for an indefinite number of years.

Furthermore, he claimed with all the compassion of an Osama bin Ladin that the 'judgment of God sent the calamity to teach the Irish a lesson, that calamity must not be too much mitigated... The real evil with which we have to contend is not the physical evil of the famine, but the moral evil of the selfish, perverse and turbulent character of the people.'

All of this happened while Ireland continued to export food guarded by British soldiers and while there was sufficient food to feed the population had it been distributed adequately.<sup>117</sup>

Of course, we can always respond to this record by claiming that our economists, our governments and we are innocent of a similar indifference. Before we do, however, we should listen to Stephen Lewis's 2005 Massey Lectures and his powerful condemnation of the indifference of wealthy Western countries to gross poverty and the HIV/AIDS pandemic in Africa.<sup>118</sup> His description of the recent policies of the International Monetary Fund (IMF) and the World Bank as capitalistic Stalinism—rending the fabric of African society under the influence of a rabid economic dialectic—has a striking resonance with the attitudes of the British government in 1848. As he tells it, 'I have spent the last four years watching people die.'<sup>119</sup>

We have seen more distant echoes of these morally bankrupt attitudes in many countries recently, including Australia: for example, the effective reinvention of the concept of the 'deserving poor'. This has brought with it increasing pressure on selected categories of welfare recipients, particularly sole parents and the unemployed. In this view, poverty and unemployment are again being seen as the result of individual moral failure, rather than a failure of the economic system, the structures of society and of government management to provide adequate income and employment opportunities for all people.

In 1943, prominent Australian economist Ronald Walker noted the increasing influence of economists on public policy in Australia—an influence that has continued to grow.<sup>120</sup> This development reflected the gradual acceptance by the Australian government of responsibility for managing the economy. It brought with it an increase in the already substantial influence of the Australian Treasury and a development of its former accountancy-based culture and expertise—a change reflected in its recruitment pattern.<sup>121</sup> Like treasuries everywhere, that department occupied a pivotal role in the machinery of government, having been responsible for the provision of economic advice and for the scrutiny of other departments' expenditure proposals for much of the twentieth century.<sup>122</sup> Its advice played a dominant role in shaping government attitudes and policy decisions for most of that period. The experience of the Great Depression and then World War II had a seminal impact on economic policy attitudes, culminating in the adoption in 1946 of the goal of full employment in Australia—a development influenced by the British *Beveridge Report* of 1942 and the resultant reforms. There was, however, a gradual shift in Treasury's advice from the early 1970s away from the maintenance of full employment through counter-cyclical policies and demand management and a rekindling of a strong faith in markets and in neoclassical economics. This shift—combined with an ingrained hostility towards government expenditure arising from its former role as the keeper of the public purse—has much to do with the growth in economic fundamentalism in Australia and the dominance of that doctrine in recent governments. This change was, perhaps, symbolised by the seminar Hayek gave to the Australian Treasury in 1976.

This increasing influence of economists and of economic fundamentalism within the Australian bureaucracy was reflected also in the progressive transformation of the Tariff Board—the body established originally to advise on tariff assistance to Australian industry—into a body ideologically opposed to such assistance. This occurred over time and in stages. It was reflected in a change of title—first to the Industry Assistance Commission in 1973, then to the Industry Commission in 1989 and, most recently, to the Productivity Commission in 1996. In the formation of the last, the Bureau of Industry Economics and the Economic Planning Advisory Committee were abolished. Both bodies had provided alternative sources of expert economic advice and had shown some capacity for independent thought, including some tendencies to depart from the economic fundamentalist orthodoxy.

The influence of economic fundamentalism in Australia was reflected also in the 1981 *Campbell Report into the Banking Industry*—a report that led ultimately to the deregulation of the Australian banking industry.<sup>123</sup> In this case, the members of the committee had the honesty to declare their biases in the introduction to their report, but biases they remained. A further important example is the *Hilmer*

*Report of 1993* into competition policy, which has been used as a justification for the wholesale restructuring of government business enterprises at the Commonwealth and the state levels.<sup>124</sup> Both reports were written in Treasury. Despite its admiration for competition as a means of delivering economically 'efficient' outcomes, the *Hilmer Report's* shallow account of competition and its benefits rests on a very uncertain conceptual base and a naïve faith in market forces. The same could be said for the *Campbell Report*. These reports should be seen as serving rhetorical political purposes rather than providing serious, historically informed analysis of policy problems.

Accounts of the growing influence of economic fundamentalism on public policy decisions in Australia often mention the influence of neo-conservative think-tanks, such as the Institute of Economic Affairs in London, the American Enterprise Institute and the Cato Institute in Washington, which have strong links with similarly minded bodies in other countries. In Australia, we have copycats in the form of the Australian Centre for Independent Studies and the Australian Institute of Public Affairs. In Canada, they have the Fraser Institute, which was founded by a disciple of Hayek and which claims pre-eminent status among Canadian public policy research organisations. The Fraser Institute boasts that it acts as an economic conscience reminding governments and their publics of the limits of governmental competence.<sup>125</sup> It also reminds us that its work is far from done, and that, in its view, government activity is far too extensive, strangling economic growth and impinging excessively on individual freedom.

Ian Marsh, speaking primarily about Australia, and noting the remarkable proliferation of such think-tanks, has suggested that they point to the continuing prestige and political importance of the norms of rationality in a society in which other more traditional sources of authority and legitimacy have been discredited. He tells us:

The neo-liberal or 'new right' group of think-tanks generally cluster[s] around the strategic or agenda end of the policy process. The group has been spectacularly successful in popularising a particular public policy agenda for responding to the changed world economy—reduced public expenditure, [a] lessened role for the state, 'neutral' industry policy, weakened trade unions, etc...Some suggest this group has attained a paradigm shift in conceptions of the role of the state held by political and bureaucratic elites.<sup>126</sup>

More generally, political theorists have long pointed to the significant power exercised by business in all capitalist democracies because of its privileged access to policy makers and because of its capacity to finance significant research and lobbying activities. Business associations play a significant role as intermediaries in that process. The spread of these ideas has probably also been aided heavily by the influence of the transnational economic organisations such as the World

Bank and the OECD—organisations whose perverse influence over Third-World countries has been criticised so savagely.

In Canberra, another popular explanation blames the strict neoclassical approach of the Economics Faculty of The Australian National University, which has trained a large number of public service economists in the past 40 years. Of course, this is a particular example of the wider argument that it has been the very narrow training of economists in recent decades that has been responsible. For Pusey, it is the social selection and the social background of senior Australian public servants that are the keys to that understanding.<sup>127</sup> He claims that top public servants are the 'switchmen of history' and that when they change their minds the destinies of nations also change. He could well be right, but it could be asked whether people who get to the top in bureaucratic organisations are characterised by a capacity for deep thought—and, by the time they reach the top, their knowledge of economic discourse is usually decades out of date.

While not discounting these influences, I suggest that a number of other factors have also been important. Firstly, the impact of the Great Depression and World War II on society has largely been forgotten. Consequently, there has been an erosion of the sense of community developed through those crises, and of the appalling costs involved. In particular, there has been an erosion of the sense of gratitude due to servicemen and women and to the working classes for their sacrifices during the war. These had moderated the commitments of political elites to unregulated markets and limited the influence of the business lobby in the immediate post-war period. It is as if doctrinaire capitalism—having survived the crises of the 1930s and 1940s and their aftermath—has finally reasserted itself. Of course, the decline of class-consciousness among wage earners has contributed to this trend, as has the relative decline of the manufacturing sector with its concentrations of relatively easily organised potential union members. While business interests can still be mobilised easily, it is now much more difficult to mobilise wage earners. The decline in class-consciousness has brought with it a decline in knowledge of the long struggle involved in achieving political rights and economic security for working people in the face of vehement political and economic oppression.

The professionalisation of politics has also contributed to this trend because fewer politicians have personal experience in anything other than academic training and a political career. In the absence of a strong grounding in personal experience, they are more likely to be influenced by theoretical speculation. Furthermore, the relatively privileged lives of professional politicians and senior public servants could also have played a part in insulating policy makers from some of the harsher realities of the economic system. Here in Australia, the isolation—geographically and sociologically—of the national capital also contributes to this lack of understanding, but the cultural isolation of elites

probably plays a role in all countries. As Soros argued recently in *On Globalisation*, those who believe in what he calls 'market fundamentalism' 'are reluctant to accept that the system may be fundamentally flawed when it is working so well for those who are in charge'.<sup>128</sup> In this vein, it has often been claimed by Marxist theorists that the state bureaucracy in capitalist societies provides a crucial element in the structure of power and privilege inherent in the capitalist system.<sup>129</sup>

At the end of the day, some of the responsibility for this development has to be sheeted home to our particular political leaders and our systems of government. The emerging defects in the Westminster system of government—with its recent tendency to evolve towards an elected monarchy, in which the *de facto* monarch, the prime minister, exercises excessive power, and which lacks the checks and balances of the US system—mean that ultimately the responsibility has to be sheeted home to the prime minister. Readers in the United Kingdom will have no difficulty recognising the role of Margaret Thatcher and her government in ruthlessly pursuing so-called economic reform in the face of widespread public dismay, including, it is said, on the part of the Queen. Of course, this is not to absolve the US political system and the US social and political culture from their responsibility. The US political system seems to have been peculiarly open to capture by big-business interests. Of course, for those governments lacking the will or the wit to tackle such difficult problems as unemployment, entrenched social deprivation, environmental degradation and the coordination of economic development, the cult of the market acts as a convenient smokescreen.

The increasing influence of economists in public policy development is part of a world-wide trend. Economists have come to dominate civil service recruitment in many countries,<sup>130</sup> with economics the essential policy science and an important entry point to a successful public service career. Certainly, this has been the case in Australia, particularly in what are now called the 'central coordinating agencies': the departments of the Treasury, Finance and Administration and Prime Minister and Cabinet. Economic fundamentalism migrated from Treasury and its offshoot, the Department of Finance, to the Department of Prime Minister and Cabinet in the 1970s and 1980s, at a time when the size and influence of that department was increasing rapidly. In part, this was a result of attempts by ministers to create alternative sources of economic advice to balance Treasury's influence. The result has been perverse: three sources of very similar, simplistic advice. Often acting in concert, these agencies have extended their power greatly in recent decades. From these centres of bureaucratic power, economic fundamentalism has colonised the senior levels of most of the Australian Public Service.<sup>131</sup> As a result, economic fundamentalism exercises a disproportionate influence on the government's policy agenda.

This colonisation has been facilitated by the increasing influence of managerialism and its associated 'reform' agenda on the Australian Public Service and by the top-down control exercised over the selection process for senior positions, particularly in the Senior Executive Service. One outcome has been the amendment of the *Public Service Act* to make public servants the servants of the government of the day, rather than the servants of the public. Furthermore, the formation of the elite Senior Executive Service—and the terms under which the members of that elite group are now employed—has tightened control over the advice going to ministers. The key role played by the Department of Prime Minister and Cabinet in selecting departmental secretaries—especially since the abolition of the Public Service Board—has been an important influence in that development. One consequence has been that departmental secretaries are now frequently from central agencies and, in particular, from the Department of Prime Minister and Cabinet. This process overvalues theoretical knowledge of economics and 'economic soundness' ahead of the practical knowledge of program administration or even of business affairs. Indeed, some departmental secretaries have been known to boast of their economic expertise and their 'dry' views. The loss of tenure for departmental secretaries and the curtailment of rights of appeal in respect of appointments to the more senior levels—justified on the basis of improving efficiency and responsiveness—have facilitated this development. This has had a flow-on effect at lower levels. The result has been substantial pressure for conformity, an erosion of the integrity of the service and questionable personnel practices. The erosion of these rights can only encourage risk-averse advice, sycophantic behaviour and patronage—well-recognised dangers in bureaucratic organisations. Of course, more subtle forms of social control such as social distancing also play a part in achieving conformity.<sup>132</sup>

Of course, those at the top of the structure do not share these negative views of recent public service reforms. For example, Dr Peter Shergold, Secretary of the Department of Prime Minister and Cabinet and Australia's top public servant, has a much more optimistic view, seeing these changes as part of a quiet revolution that has transformed the way in which the bureaucracy works and that has significantly increased its productivity.<sup>133</sup> Shergold, however, as Public Service Commissioner, played a leading role in promoting the legislative and administrative reforms in the Australian Public Service so he might not be the most objective of observers. At least there seems to be agreement that there has been a revolution. In my view, in the absence of adequate tenure and effective accountability for selections, the integrity and competence of the Australian Public Service is being eroded. Readers will have to judge for themselves which perspective better captures the balance of the changes; however, recent serious scandals demonstrate that all is not well.

Governments and their key advisers also exercise control over a large number of other key appointments to statutory and non-statutory bodies and to public inquiries, and this control has been an important factor in the spread of economic fundamentalism. The selection of people to head major inquiries is not left to chance. Such appointments are considered carefully in an attempt to ensure a desired outcome. Consistent with this view, Pamela Williams tells us that the legacy of the Howard government in Australia is an entrenched, hand-picked elite:

[O]ne thing remains beyond the vagaries of chance: this is Howard's empire, and the men and women appointed to positions of power and influence across the country form a conservative river as deep as it is wide. It flows through the bureaucracy, government bodies and regulators, tribunals for refugees and industrial relations, cushy diplomatic posts, Telstra, the ABC, and arts bodies and cultural institutions...It is the fountainhead of Liberal influence for years to come.<sup>134</sup>

Furthermore, these economic fundamentalist views have also colonised many of the private-sector lobby groups, including those that draw their staff from the ranks of the Australian Public Service. A small number of economic consultancies are also selling specialist economic expertise to government.

What remains for this chapter is to say something about the meaning of the term 'public policy'. The term is one that will be familiar to politicians, journalists, political scientists and public servants, but it is not one that keeps the average citizen awake at night. Policy is not confined to the public sector, because even private-sector bodies engage in governance activity that attracts the term 'policy'. Consequently, the adjective 'public' is used to make it clear that it is an aspect of government activity that is being discussed. Given that the term is used during election campaigns to describe significant statements of intentions, values and aspirations, it clearly has to do with the way that we are governed, with aspects of government action.<sup>135</sup> It is not a term that is used with any great precision, however, and is often applied erroneously to small-scale standardised administrative procedures in the public and the private sectors to protect administrators from having to constantly justify those procedures.

Hal Colebatch notes that discussion of 'policy' usually rests on three assumed characteristics of organised action: coherence, hierarchy and instrumentality. Coherence assumes that action forms part of a coherent whole, and policy has to do with how this whole should be steered. Hierarchy assumes that the policy is about how courses of action are authorised by the people at the top—that policy rests on legitimate authority. Instrumentality assumes that policy is concerned with the pursuit of particular purposes or goals, or the solution of particular problems. Instrumentality brings with it an implied expertise, an

expertise divided into functional areas, such as economic policy and educational policy, with much effort expended in trying to achieve consistency between different policy fields. Instrumentality also involves a belief that the causal relationships involved in an area of activity—and the consequences of particular actions—can be determined. Importantly, the claims of economic fundamentalism to influence government action rest on this implied expertise. Part of the arrogance of economic fundamentalism rests in its claim that neoclassical economics is the primary, or even the sole, public policy ‘science’.

The usual way of talking about policy—described above—grossly over-simplifies what happens in practice. For example, the extent to which coherence can be achieved in practice across the whole ambit of government action is open to significant question. Similarly, the above discussion assumes that policy involves articulate, conscious choice, but that is also open to question. For example, it is often difficult to separate actions into clear decisions and the activities necessary to carry them out. Policy can be grounded in practice rather than an authorised decision. In any event, a formal decision is often only a stage in the policy process. A statement of intent on its own is valueless without the commitment of significant resources. Therefore, policy must not be understood simply in terms of officially proclaimed goals but in terms of the way activity is patterned among a wide range of participants. Consequently, the emphasis in the literature on policy as the exercise of legitimate authority is a non-neutral idealisation. This view needs to be amended to take account of the involvement of an extended array of people with interests in any particular policy question and of the activity of gatekeepers controlling access to decision makers. Authority is diffused to some extent throughout the system and consequently it is probably preferable to speak of the mobilisation of authority in support of programs advanced by participants in the policy community, including public officials, rather than simply the exercise of authority. Who those participants are and the vocabularies they regard as legitimate determine which policy issues are raised and how they are addressed. Like all communities, there are tacit rules about participation, a shared vocabulary and informal social controls that govern participation. Consequently, the current dominant role of economic fundamentalists as decision makers, gatekeepers and participants largely determines what is seen as a legitimate policy problem, and who is accepted as a legitimate participant in any policy community. These decisions are not neutral. What is more, central agencies are vigilant in trying to shield ministers from well-developed advice with which those agencies disagree. In the case of the present government, this process of selection is reflected in the close involvement in many policy processes of business lobby groups and the partial exclusion of unions, welfare groups and consumer representatives.

It should be clear from what has been said above that the field of public policy is a broad and confusing one, involving a gross lack of relevant information,

contradictory approaches to similar problems, the neglect of others and gross uncertainty about the likely outcomes of decisions. The recent film *Fog of War*—the autobiographical reflections of former US Secretary of Defence Robert S. McNamara—makes a similar point about the uncertainty surrounding major strategic and tactical decisions in major conflicts. In this respect, economic fundamentalism could be likened to the strategic and tactical doctrines pursued on the Western Front for most of World War I, providing the false certainty of final victory, in which the terrible cost is overlooked. In his seminal work, *On the Psychology of Military Incompetence*, Norman Dixon describes the symptoms of group-think that all too often affect large organisations and authoritarian leadership groups and which lead to such disasters:

- an illusion of invulnerability (or, more generally, the illusion of certainty)
- rationalising away information inconsistent with cherished assumptions
- an unquestioned belief in the group's morality
- the stereotyping of opponents as stupid
- a shared illusion of unanimity
- self-appointed 'mind-guards' to protect the group from adverse information.<sup>136</sup>

As we have seen above, all of these symptoms afflict Australia's current policy processes.

The focus of this book is not the sociology of the growing influence of economic fundamentalism but the ideas underlying it. Many contemporary policy debates involve fundamental questions bearing on the functioning of the capitalist system and the relationship between economics, ethics and the law. Frequently, those debates are impoverished by the failure of many of the participants to understand fully that a dynamic and effective civil society is a basic precondition for an effective capitalist system. This can be seen most clearly in the awful struggle of many of the countries of the former Communist bloc to transform themselves into successful capitalist societies. In their cases, the necessary civil and legal prerequisites for a successful capitalist society are simply missing and are still being created. There can be little doubt that the ill-conceived economic fundamentalist recipe has been a catastrophe for much of the Russian population. The consequence in that case appears to be a slide back towards an authoritarian state.

The next chapter will begin an examination of these underlying ideas. To capture an adequate understanding of the dependency of the capitalist system on civil society, I will consider how social order, as such, is possible. It will be argued that, in an effective civil society, the pursuit of individual and institutional choice and self-interest is constrained by internalised moral codes and by externally imposed social sanctions. In particular, I will argue that the so-called free markets of the capitalist market system are not natural types, but are

complicated cultural and legal artefacts, constructed over time and relying on internal moral codes, a complex regime of legal instruments and are enforcement by governments.<sup>137</sup>

Subsequently, I will show how economic fundamentalists have also failed to understand the epistemological limitations of the economics discipline, the moral assumptions they employ and the implications of the existence of asymmetries of knowledge and power for the fairness of the market system. I will argue that economic fundamentalism involves the making of an organisational technique—the so-called market system—and the associated abstract knowledge narrative into a theology. An elite group of technologists, a new vanguard of economists and their allies is engaged in a utopian attempt to remake civil society in the image of their idealised technique and their instrumental rationality. It is a utopian project that has disturbing similarities with the utopian projects of the twentieth century that caused so much suffering: the communist revolutions in Russia, China and Cambodia and the fascist projects in Germany and Italy. In particular, they share an exaggerated confidence in a pseudo-scientific ideology, a determination to remake society, its institutions and humankind itself in the image of that ideology, as well as strong anti-democratic tendencies and a lack of compassion. As such, it is a logical consequence of the Enlightenment project and its peculiar instrumental understanding of human reason. In that sense, economic fundamentalists are the last of the Marxists.

My fear is not that economic fundamentalism is true, but that it might become so. It brings with it the danger of the commoditisation of everything—the turning of all values into market values, stripping the social world of love, compassion, commitment and even scholarship, for what will sell. In particular, in conjunction with ubiquitous advertising, it is promoting an excessive materialism in which we draw our only sense of identity from our consumption and our possessions. Economic fundamentalism—with its obsessive concern for easily measured economic indicators and efficiency and flexibility in the service of production—is engaged in a war on rest and leisure. It is encouraging an alienating culture of exploitation and overwork, which threatens to undermine our relationships with our spiritual needs, our families and our communities. In doing so, it is undermining the moral basis of civic society and of the capitalist system itself. In addition, it is threatening the natural ecological preconditions for the survival of our civilisation.

## ENDNOTES

- <sup>1</sup> Stobæus.
- <sup>2</sup> Sophocles.
- <sup>3</sup> St Augustine 1972, p. 139.
- <sup>4</sup> Smith 1976, p. 86.
- <sup>5</sup> Hollis and Nell 1975, p. 260.
- <sup>6</sup> I will be looking at positivism—a movement in the philosophy of science—in Chapters 5 and 6.
- <sup>7</sup> Lipsey et al. 1998.
- <sup>8</sup> Webb 1995.
- <sup>9</sup> Wittgenstein 1951, cited in Barrett 1978, p. 69.
- <sup>10</sup> Stone 2000, p. 25.
- <sup>11</sup> Neville 1997.
- <sup>12</sup> Stiglitz 2003, pp. 14–26.
- <sup>13</sup> Of course, the latter might not attract much of a price.
- <sup>14</sup> Australian Financial Review 2000, p. 20.
- <sup>15</sup> Australian Financial Review 2003, p. 62.
- <sup>16</sup> Trichet 2004, cited in Australian Financial Review 2004, p. 6.
- <sup>17</sup> Self 1999.
- <sup>18</sup> Stiglitz 2002b.
- <sup>19</sup> Soros 2002.
- <sup>20</sup> Quiggin 2002.
- <sup>21</sup> Langmore and Quiggin 1994.
- <sup>22</sup> Blaug 1997.
- <sup>23</sup> Needham 1947, p. 10.
- <sup>24</sup> Hirshleifer 1985, p. 53.
- <sup>25</sup> Hirshleifer 1982, p. 52.
- <sup>26</sup> Becker 1981, p. ix.
- <sup>27</sup> Ganbmann 1998.
- <sup>28</sup> Landes and Posner 1978, p. 339.
- <sup>29</sup> Schumpeter 1976, pp. 423–4.
- <sup>30</sup> Ormerod 2001, p. 3.
- <sup>31</sup> The cultural and philosophical movement often dated from the French mathematician and philosopher Rene Descartes (1596–1650).
- <sup>32</sup> Cited in Kruskal 1982, p. 129.
- <sup>33</sup> Webb 1995, p. 2.
- <sup>34</sup> Edgeworth 1881, p. 16.
- <sup>35</sup> Sen 1977.
- <sup>36</sup> Lux 1990.
- <sup>37</sup> Hodgson 1988.
- <sup>38</sup> Mill 1962, pp. 100–1.
- <sup>39</sup> Horton 1967, pp. 50–71.
- <sup>40</sup> Ryan 1970.
- <sup>41</sup> Barrett 1978.
- <sup>42</sup> Ong 1977.
- <sup>43</sup> Geertz 1973.
- <sup>44</sup> Eisenstadt 1978.
- <sup>45</sup> Loy 2002, p. 5.
- <sup>46</sup> Geertz 1966.
- <sup>47</sup> Loy 2002.

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- <sup>48</sup> Carrithers 1992.
- <sup>49</sup> Corcoran 1979.
- <sup>50</sup> Rorty 1991.
- <sup>51</sup> de Botton 2004.
- <sup>52</sup> Marty and Appleby 1993.
- <sup>53</sup> Carroll 2004, p. 66. See also Adam 1992.
- <sup>54</sup> Though a non-teleological concept of welfare.
- <sup>55</sup> This does not mean, of course, that all economists share this faith or that it is necessarily tied closely to an understanding of the discipline of economics. Nor does it mean that many economists lack high standards of integrity in their private lives or are not personally religious in the more traditional sense.
- <sup>56</sup> Cox 1999.
- <sup>57</sup> Hamilton and Denniss 2005.
- <sup>58</sup> Loy 1997.
- <sup>59</sup> Barrett 1978, p. 323.
- <sup>60</sup> McCloskey 1994, p. 30.
- <sup>61</sup> Quiggin 1999.
- <sup>62</sup> Saul 2001.
- <sup>63</sup> This is something of a contradiction in terms given the radical nature of the agenda.
- <sup>64</sup> Stiglitz 2005.
- <sup>65</sup> Madsen et al. 2002.
- <sup>66</sup> Bellah 1975.
- <sup>67</sup> Swidler 2002.
- <sup>68</sup> Hauerwas 2002.
- <sup>69</sup> Stiglitz 2005, p. 10.
- <sup>70</sup> Crook 2007, p. 12.
- <sup>71</sup> Gray 1998.
- <sup>72</sup> Cox 2002.
- <sup>73</sup> Quiggin 1999.
- <sup>74</sup> McKenna 2005.
- <sup>75</sup> Luke 16:19–31.
- <sup>76</sup> Abbott 2002.
- <sup>77</sup> Corcoran 1979.
- <sup>78</sup> Pusey 1991, p. 6.
- <sup>79</sup> Jones 2000, p. 1.
- <sup>80</sup> Kirrily Jordan and Frank Stilwell (2007) reported that the cash remuneration of the chief executives in the top 51 companies who were members of the Business Council of Australia was 63 times the average annual earnings of full-time Australian workers in 2005. It had been only 19 times the average wage in 1990.
- <sup>81</sup> Webb 1995, p. 6.
- <sup>82</sup> Lux 1990.
- <sup>83</sup> Rothschild 2001.
- <sup>84</sup> Horwitz 1977a.
- <sup>85</sup> Mantoux 1961, cited in Kanth 1986, p. 10. Kanth goes on to argue that the revisionist attempt to distance economics from *laissez-faire* policies cannot be sustained.
- <sup>86</sup> Thompson 1963.
- <sup>87</sup> Ibid.
- <sup>88</sup> Gray 1998.
- <sup>89</sup> Thompson 1963.
- <sup>90</sup> <http://dSPACE.dial.pipex.com/town/terrace/adw03/c-eight/pitt/repress.htm#comb>
- <sup>91</sup> Fortunately, juries refused to find them guilty.
- <sup>92</sup> [www.spartacus.schoolnet.co.uk/PKluddites.htm](http://www.spartacus.schoolnet.co.uk/PKluddites.htm)

- <sup>93</sup> Rothschild 2001.
- <sup>94</sup> Bromley 2005.
- <sup>95</sup> Loy 1997.
- <sup>96</sup> See Malthus 1773, p. 260; and Lux 1990.
- <sup>97</sup> Cited in Lux 1990, p. 35.
- <sup>98</sup> Malthus was not completely identified with *laissez-faire* as he subsequently went on to oppose the abolition of the Corn Laws and to advocate counter-cyclical economic policies.
- <sup>99</sup> Cited in Lux 1990, p. 37.
- <sup>100</sup> <http://dspace.dial.pipex.com/town/terrace/adw03/peel/poorlaw/attacks.htm>
- <sup>101</sup> Lux (1990, p. 42) citing Kanth 1986, p. 88.
- <sup>102</sup> To be fair to Ricardo, it should be noted that he was talking about the incentive then existing for employers to underpay their employees in the expectation that the Poor Laws would supplement their wages so as to provide those employees with the minimum for subsistence. Cowherd (1977), however, showed that the increased costs of relief that were the source of these concerns were the result of increased unemployment after the end of the Napoleonic Wars and not the Poor Laws themselves.
- <sup>103</sup> Atiyah 1979, p. 314.
- <sup>104</sup> Mokyr 2002.
- <sup>105</sup> John Stuart Mill (1994, p. 163) was the only classical economist to point out that the enforcement of contracts was itself a form of government activity and that this necessarily imposed on the State a duty to determine which contracts should be enforced.
- <sup>106</sup> Atiyah 1979.
- <sup>107</sup> Ibid. and Keynes 1926.
- <sup>108</sup> Keynes 1926.
- <sup>109</sup> Ibid.
- <sup>110</sup> Thomson 1963.
- <sup>111</sup> Seligman 1992, p. 116.
- <sup>112</sup> Hobsbawm 1990.
- <sup>113</sup> Woodham-Smith 1992, pp. 54–5.
- <sup>114</sup> Blair 1997, cited in Kinealy 2002, p. 1.
- <sup>115</sup> Cited at <http://www.rootsweb.com/~irlker/famemig.html> and again at <http://www.vincentpeters.nl/triskelle/history/greatfaminepolitics.php?index=060.090.010>
- <sup>116</sup> Kinealy 2002.
- <sup>117</sup> See <http://www.historyplace.com/worldhistory/famine/hunger.htm>
- <sup>118</sup> [www.cbc.ca/ideas/massey.html](http://www.cbc.ca/ideas/massey.html)
- <sup>119</sup> One should acknowledge, however, the more recent and much more generous response of Western countries and in particular that of the George W. Bush administration.
- <sup>120</sup> Walker 1943, Ch. 1.
- <sup>121</sup> Whitwell 1986.
- <sup>122</sup> The Department of Finance was split from Treasury in 1976, but the departments have continued to operate in tandem, despite the occasional family spat. Both departments operate in close cooperation with the Department of Prime Minister and Cabinet.
- <sup>123</sup> Campbell 1981.
- <sup>124</sup> Hilmer et al. 1993.
- <sup>125</sup> Fraser Institute year?.
- <sup>126</sup> Marsh 1994.
- <sup>127</sup> Pusey 1991.
- <sup>128</sup> Soros 2002, p. 2.
- <sup>129</sup> Miliband 1969.
- <sup>130</sup> Markoff and Montecinos 1993, pp. 37–68.
- <sup>131</sup> Pusey (1991) points to social selection and social background as key mechanisms. The author emphasises the top-down control exercised over the selection process for SES officers, and the tendency

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for senior bureaucrats to 'clone' themselves and their views in making selections for such positions. This has a flow-on effect at lower levels. The result is substantial pressure for conformity.

<sup>132</sup> See, for example, Westphal and Khanna (forthcoming); Zippelius 1986, pp. 159–66; Coleman 1990.

<sup>133</sup> Shergold 2003.

<sup>134</sup> Williams 2004, p. 1.

<sup>135</sup> Colebatch 1998.

<sup>136</sup> Dixon 1976.

<sup>137</sup> Howell 2000.