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On Trade and Self-Sufficiency

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Abstract

This essay serves pursuit of a thread that involves such terms as optimum, competition, efficiency, welfare and the like that has run through economic discourse from early times up to the present. After considerations about origins and survival of doctrines about the market and related free-trade and globalization polemics, attention is given to the 1933 article of Keynes on “National Self-sufficiency” and issues to do with economic protection.

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Symposium on
Equity and Efficiency in Economic Development
 in Honour of Benjamin Higgins

On trade, and self-sufficiency¹

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¹ This essay—based in part on earlier versions, of 1988 in Japan and 1989 in Australia, and on my 1989 book—was prepared for the 1991 Symposium in Honour of Benjamin Higgins but as a result of McGill/Queens-related accidents became put aside. Returning to it in February 1997 I have been indebted to Ginette Benoit, of the Canadian Institute for Research on Regional Development, Moncton NB, for her editing which came to my attention only then. Beside acceptance of almost all her suggestions, other changes include references to Brecher and Savoie (1993) and later items. Now in year 2000 when I return to it again it begins to appear dated, due in part to happenings in the meanwhile. Also the “Crisis in Economic Theory” which had been a lively subject seems now to have been successfully forgotten. Despite such obsolescence, commentary made on that subject has been retained. For the rest—perhaps it still belongs to the future!

1 An Introduction to Economics

I welcome this opportunity to pay tribute to Benjamin Higgins. Because I have a regard for Ben the individual as well as the economist, a few recollections will not be out of place, and they provide a setting for what I submit on questions the two of us sometimes tried to discuss.

Our paths have crossed at various times since the 1960s. We first met when he was at the University of Texas in Austin and I was at Rice University, Houston. Then in Ottawa I joined him as a colleague. His retirement—not the suitable word, nor is ‘advancement’ though ‘advance’ might do—was a loss. He went to Australia, homeland of his wife Jean Higgins.

Our meetings did not so much involve talk of economics as conviviality. When we did get to economics the recurrent theme was, as it is now, that something was wrong. Aware of our differences in focus, and failure of language, we never got anywhere and left the subject, only to return. Perhaps it was our disposition as writers instead of readers, or listeners, that impeded communication. This present occasion gives the chance to bridge the gap.

Visiting Australia in 1987, I spent my first weekend at the Higgins’s ‘Post’ (a thousand acres, some sheep). After a misadventure with the train from Canberra, Jean Higgins turned up in Cooma to drive us to Kallaroo. In that incredible isolation, before a blazing fire fed from gum trees that, because of compensating drafts, in fact did little to warm the Post, the old subject came up again.

For Thomas Malthus it may have been the “dismal science” but of course economics is not free of strong feelings nor even quite a science. For lack of a common bedrock positions are governed by variable opinion, tradition, pressure, personal belief or interest, or some respected “scribbler”. An amount of heat goes into whether markets should be ‘free’ or not. Credibility is a constant issue—present company not excepted.

Graeme Dorrance from Australian National University was among the group assembled there. He said, with quiet confidence of settled belief, that it was odd to have complaint from one such as myself, a typical embodiment of what was wrong with the profession. My association is with mathematical economics and he shared the idea that salvation would come only when such diversions are put aside, to allow a genuine concern with real issues.

I would respond by saying that closeness to issues may give relevance and weight, and a good conscience, but must be a distraction. As it was with another doctrine lately, so it is with economic teaching: while certain

things may have important influence they are nevertheless misleading, an abuse of mind and language. Should economists have a concern with such issues? In the main the profession continues regardless, with little self-examination. Government of the group decides the games to play, and the “Crisis in Economic Theory” which has been so much discussed lately is just a tantrum in the Toy Department.

An interesting line to pursue in trying to understand something of the sort that may be wrong is the “Optimism” associated with the idea that trade is connected with a “social maximum”—whatever that may mean. If this were excluded from belief some usual pieties about trade would not look so good, and one might even turn to common sense.

At the World Congress of the Econometric Society in Cambridge–UK after he had won the Nobel Memorial Prize, Paul Samuelson confessed his motivation: “adulation of the economics profession”. As much as any reality to do with economy, also the profession itself is worthy of study. We already have Axel Leijonhufvud’s classic on the model of Gulliver². Another contribution comes from Robert Kuttner³. At the start Kuttner says “Events have been unkind to the economy, and unkind still to economists,” and “Since 1970 an outpouring of serious and ideologically diverse articles and books has pronounced that economics is in a state of severe, perhaps terminal, crisis.” Vincent J. Tarascio writes⁴: “The purpose of this paper is to examine the nature of this crisis from the point of view of the sociology of our discipline.” There seems to be a sharper focus on life of the profession but “the ship sails on” and what difference will it make?⁵ Thomas Malthus was worried about abuse of language in his *Definitions in Political Economy* (1827) and he would not be happier now.

Clearing decks helps with management of disorder and creates space. Certainly the “Optimism” should be given up and the wilderness that results would have to be an improvement.

When a distinguished practical capitalist can express in public his reservations about “free-market” culture, it makes news.⁶ For now we have from George Soros⁷: “Although I have made a fortune in the

² “Life Among the Econ”, *Western Economic Journal* 11, 3, September 1973. Reprinted in Dimand (1986).

³ “The Poverty of Economics: a report on a discipline riven with epistemological doubt on the one hand and rigid formalism on the other”, *Atlantic Monthly* February 1985.

⁴ “The Crisis in Economic Theory: a Sociological Perspective”, *Research in the History of Economic Thought and Methodology*, 4, 1986, 283-95.

⁵ “The Decline of Economics.” *New Yorker*, December 2, 1996, 50-60.

⁶ Eric Ipsen, “Capitalism’s King Spies Evil in Market-Mad Realm.” *International Herald Tribune*, January 16, 1997, pp 1 & 6.

⁷ “The Capitalist Threat.” *Atlantic Monthly*, February 1997, 45-58.

financial markets, I now fear that the untrammelled intensification of laissez-faire capitalism and the spread of market values into all areas of life is endangering our open and democratic society. The main enemy of the open society, I believe, is no longer the communist but the capitalist threat.” But where is—or was, when it was first heard about from Karl Popper—the “open society”?

The abandonment of structures leads back towards a primitive level, even to Aristotle. As a complement to Keynes⁸, Aristotle’s views about trade and self-sufficiency are impressive. He requires that trade be in the service of self-sufficiency and should not go further (*Politics*, Book I). Adam Smith notwithstanding, the meaning behind this idea may be as worthy of study now as it might have been then.

No one can dispute that trade is basic to economic life even when absurdities about its merits are put aside. At the same time there is no simple notion of what should be meant by self-sufficiency. Opposing views come forward in times of change, so it should not be surprising to hear in a given moment that “In this day and age, there is no such thing as economic self-sufficiency” (Henri de Villiers quoted in *Time*, March 27, 1989, p. 42) and “There’s no longer any such thing as state sovereignty” (Allan Gotlieb quoted in *Ottawa Magazine*, March 1989, p. 22). Ages pass, and this one may do so as promptly as those of recent memory when it was confidently assumed the Affluent Society was here to stay, or that communism would take over. Another has arrived already, when the Earth, the source of maintenance, has maintenance problems itself.

Conflicts between major powers must in some manner be receding. Size served power, but if the power itself becomes obsolete so perhaps does the size. Then there may be a yielding to the smaller groups clamouring for separation. These peoples can then properly look after themselves, stimulated by the immediacy of effects of self-management, on a scale where damage would be more local than global. Maintenance of the Earth may then be more generously forthcoming, since coercion that springs from directly felt self-interest is the most acceptable kind and most to be trusted.

In any case, there might be room for speculations over what remains but none over the part under the “Optimism” heading central to the present exploration, related as it is to the inchoate intellectual fumbings of early days that persist in the textbooks, and minds of well-trained economists. This is the main of what is offered here, the remainder rather having the nature of an application exercise or loose enquiry. Unburdened

⁸ J. M. Keynes, “National Self-Sufficiency”, *New Statesman and Nation*, 8 and 15 July 1933; *Yale Review*, Summer 1933; *Collected Writings* Vol. XXI, 233-46. I am indebted to Jim Alvey, of Macquarie University, NSW, for drawing my attention to this paper.

of such futilities there is more room to expand, even freedom to arrive—if anyone should insist on some outright simple concept of ‘self-sufficiency’—at an absurdity, just the obverse of the one we left.

Kenneth Boulding was able to touch on “The Legitimation of the Market”⁹ but legitimacy for the pervasive common-sense practice of economic protection is less readily granted. It is kept that way by what amounts to a metaphysical belief, that an overriding objective should be to knock down barriers to trade to allow domination of a global competition serving an unknown end. Instead of this determination, another objective has been coming forward, one that gives another dimension to efficiency and seems to have more to do with cooperation than competition, namely, the objective of survival.

An efficiency for the market may be granted; there could be a sense to that somewhere though it is certainly not where it is usually put; and in any case markets always spring up when allowed. But such market efficiency could not then be an efficiency as commonly understood. If not just because of the old mistake, perhaps also from a disinclination to capture this sort of efficiency for what it is, economists have come to pick on another efficiency that, to the extent it is in any way understandable, lies altogether in the realm of myth.

The record of failure of development programs over some decades is frequently noted. Benjamin Higgins, seeking a definition of development, names six proposed definitions and asks “How can reasonable men reach such diverse conclusions?”¹⁰ Another definition may be considered in different ways, both reasonable and unreasonable: the building of self-sufficiency. Such an idea may go against formulas and interests but it has a practical even if shadowy presence. A part of the inclination towards sovereignty is for some form of self-sufficiency. Besides the geographic boundaries, lines are drawn about what is for sale or to be bought, and who are the partners. Inevitably, or for good reason, important capacities are not allowed to atrophy and wither through the exploitation of markets and dependence on vagaries of others.

In regard to economics, and whatever else, with changes taking place a framework is becoming settled where modes of thinking have to be different. Discarding old and taking on new is not a textbook matter such as might be assigned to the care of some accredited professional. Part of the process is liberation from baffled preoccupations of scholastics as well as from absurdities found therein.

⁹ Lecture delivered at Rice University, Houston, Texas, 1963.

¹⁰ “Equity and Efficiency in Development: Basic Concepts”, in Brecher and Savoie (1993), Chapter 1.

Questions about human life have recently come to a new point, where the Earth, once taken for granted as the ready source of all sustenance, has itself become an issue. Aside from the demands of increase of populations, the global economy is a machine for destruction of the Earth itself as well as less earthy inheritance. For a liveable future there has to be a escape from this domination. That this is so is largely left unsaid in declarations about the environment that have been heard everywhere recently.

In the 1960s there was an outbreak of concern about “the population explosion”. In 1965 the problem was recognized for the first time at the level of governments, so proponents of population restraint marked that year as the “year of the breakthrough”. However, the less-developed countries had this to say: “Make us rich like yourselves and then we will have fewer children.” After that the whole matter seemed to disappear underground.

Although public attention has drifted away from the overpopulation issue it remains fundamental. It is commonly thought of as a modern problem noted by Thomas Malthus, but the following gives another idea:

There was a time when numberless races of men wandered the earth. Seeing this Zeus took pity and resolved in the wisdom of his heart to relieve the all-nourishing Earth of men, stirring up the great quarrel of the Trojan war in order to lighten the burden by death. The heroes perished in Troy and Zeus’ plan succeeded.

The Cypria, attributed to Stasinos, *ca.* 7-5th century BC

In recent times there has been a speeding up of the exhaustion process that has been going on for centuries. Fertile regions that once supplied the granaries in Rome and others exploited by ancient people are now deserts. Vast forests disappeared simply to supply wood to build those great fleets that used to sail. We already have an impoverished Earth. In days gone by there was always somewhere else to spoil. New worlds are no longer so rich, and depredations that formerly might have taken centuries can now be accomplished quickly.

Destructiveness of warfare has in some way abated, not through any new wisdom but as a blessing of the Bomb. There is no economic bomb as yet to bring about a pause; rather, we remain creatures and prisoners of a system that knows only itself and nothing of its results.

In the 1970s we heard news about “Limits to Growth” supported by computer printouts and ominous pronouncements from the Club of Rome. It is forgotten now, a fanciful moment swept away by urgencies of the real business of living: market competition and growth. The 1980s saw the globalization of markets and rise of Japan as an economic power. The liberalization of trade and the need to be competitive in the world market

are proclaimed as ruling principles. Surviving in this economic reality makes an intimidating prospect, even for the powerful.

At the start of the 1990s trading blocks were taking shape, lines being drawn as though for battle. While a withdrawal from trade may not now be occasion for visit of a gunboat, multilateral liberalization is dominant, while voices express concern at signs of a rise in bilateralism, at sovereign parties independently getting together to serve their own separate interests.

The failure of communism may be a vindication of the market principle, among other things, but seems to have occurred at a problematic moment for capitalism, where beside debt there is the many-sided problem related to environment. The response to this has included measures often to be brought in gradually, or just studied. For with the preoccupation with competition, and debt, the problem cannot receive due attention. There is hardly a suggestion that current economic thinking should change drastically, let alone that it may be destined for anything like the fate suffered by communism. Even the search for a 'New Economic Order' which had prominence during the 1960s and 1970s had no manifest outcome.

Many concerned with ecology, environment, and population, remain pessimistic, unsure that a momentum that has grown out of the entirety of past history can be deflected to deal with an unprecedented and abruptly arrived global problem. Evidence for looming disaster is ample enough, whether it should issue from scientific studies or common sense. But such evidence appeals to reason, a poor teacher and mover to contend with overreaching continuities; another teacher, if there should be need of one, would be breakdown and calamity.

While markets and trade always remain central to economics, teachings spoil this matter with absurd simplistics and sublime myths inviting the abolition of all barriers—as it were putting everything for sale. There has no doubt been a great trading era, underpinned by devotion to its own myth, the market. One could say: "Never mind wrong reasons, we have the right thing"¹¹. But those reasons, spurious though they be, have a sufficient durability in minds and textbooks to give sanction to an order that is outliving its welcome.

¹¹ When I submitted these ideas about wrong reasons to Chalongphob Sussangkarn, on a visit with a Thai trade delegation, he replied (I thought very well) with a remark something like this.

2 The ‘Optimism’ of Market Doctrine¹²

2.1 Choice and welfare

The thread taken up in this essay has connections with ‘choice theory’ which, being a subject both peculiar and distinct, warrants some separate attention. Choice theory has a certain relevance to development interests and may be associated with efficiency taken broadly. As for equity, F. A. Hayek¹³ has provided an interesting view. A similar, though thoroughly antique, notion is ‘fair trade’. With all the modern market wisdom however, fair trade still finds its way into thinking that goes on widely and at every level, though no one quite knows what it means. It seems to be a survivor from early societies, maybe properly active in some situations, where, though it is unspoken, everyone knows what is due to them, or is fair. With trade agreements, however, except where fairness is reflected in some clearly understood reciprocity arrangement, who knows if they are fair or not? Apparently, fairness can only be measured by the degree to which parties honour the agreement, and there certainly can be disputes about that.

Making choices is important for economics—all that could be more important is having the opportunity. But it makes an unresolved subject, even where the issues touched are basic. Formal choice theory seems peculiar to economics and it started early. Joseph A. Schumpeter¹⁴ attributes the “Economic Principle”, which joins with the idea that the economic problem is a maximum problem, to François Quesnay (1694-1774). It remains permeating the subject as much as ever and a question is whether it overran its proper course. Probably it did that in the beginning and the early words have had a survival.

The accumulation of attention is in proportion to the duration, and though there has been fascinated attention to the works of the clock still we are not sure of the time. Matters there are due for settlement, for we have been told “fools rush in where angels fear to tread” and in having that there would be better chance of company with the latter. The former might make discoveries but that is not quite what is wanted, though one could be without any and still be far from the latter. Elaborate structures have been built on precarious drifts of meaning; there might be a desert

¹² Largely based on my 1987 book *Logic of Choice and Economic Theory*, especially Sec. I-18 on “The Maximum Doctrine”.

¹³ “The Atavism of Social Justice”, Nineth R. C. Mills Memorial Lecture, University of Sydney, 6 October 1976. In Hayek (1978), Chap. 5.

¹⁴ *History of Economic Analysis*, Oxford University Press, NY 1954.

without them—but then getting used to it would be much more economical!

A cause for some general confusion is ambiguity. What is meant by a choice may be clear, but how, where, or why a choice should be perceived in the first place may often be less clear. There are problems with terms like ‘preference’, ‘optimum’, ‘efficient’ and ‘welfare’ for an individual, a group, or an economy. Often one might wonder whether some proposition is true or false, or neither. Different organizations or disorganizations of concepts have simultaneous use and following ordinary usage with key words would be helpful. For example generalized preferences, without the usual transitivity¹⁵, are certainly strange; once it is possible to talk about such things an anchor has gone and anything can be called anything.

A similar case is the “Pareto optimum”. There can be dissatisfaction about a doctrine that has early origins but still prevails and is represented in the textbooks. A reading of the “Maximum Doctrine” of the Physiocrats, which is meaningless taken literally, has been translated into a misreading of Adam Smith's doctrine of the “Invisible Hand”, and this in the hands of mathematical economists using set language and the like has been translated again, but not very well. In the latest version we have the Pareto optimum. When that is seen for what it means, in no ordinary sense is it an optimum: it is just called that while the power it has in economic thinking is as if it were that. Pareto fleetingly entertained the idea as being analogous to a maximum and it has come to have exaggerated importance. It just filled the vacuum created by the shortage of meaning in the old doctrine.

Even if we are assured that Adam Smith did propose a maximality under government by the Invisible Hand—and it is quite possible that he did¹⁶—we still should not take the idea seriously. It could be a quaint residue of early thought—after all, Newton's mechanics is not vitiated by the importance he gave to number magic and alchemy (perhaps the contrary now, but we can put that aside). It does not matter what views the Physiocrats or others had about automatic global economic optimization under various conditions that can be spelt out carefully at length, we still should not believe in them for we do not and cannot possibly know what they mean.

To the Physiocrats the Maximum Doctrine was not a matter requiring proof—it was self-evident! There have been gestures to prove it since, out

¹⁵ If A is better than B, and B is better than C, then (for most of us) A must be better than C.

¹⁶ Tom Settle, Guelph University, has assured me that he did, and provided a copy of the relevant passage which unfortunately I have lost. Settle (1976) forcefully expresses a view similar to the one set out here of the usual textbook teaching.

of respect for the old words mixed with duty to contemporary science, but no one knew quite what it was that should be proved. Words have patterns both with and apart from their meaning, as recognized in songs. As interesting as this matter itself is the way it has been preserved, and conditions thinking still. This phenomenon of transmission of authority was pointed out by F.A. Hayek¹⁷.

2.2 Free and yet a good slave—or Optimism

This title may not be from a well-used stock so that it should tell plainly what it is about, but it suits its purpose. This is pursuit of a thread—that makes embroidery with the optimum, competition, efficiency, welfare and the like—that has run through discourse from early times into the present and latest textbooks. There is an endless repetition and we want to find out what to make of it. If there should be something wrong we would still like to understand whether it is good or not—to know, so to speak, the welfare of it.

What is submitted here has been offered by many writers each in their own way, but this appears to make no difference. How then should one deal with the matter? Perhaps with humour, and a look at history. It is not important whether everything reported be right or wrong, as long as things are presented in the right light. For what we have to consider has its own evidence which has nothing to do with history. One may take the clear path of simply looking at the matter itself. But the popularity faced is resistant, and for the reason here the early story may have revelations; in any case, a glance at the salient can come first.

The association of general economic equilibrium, on some model, with a social optimum, or maximum, is paramount in economic teaching. This was the start of welfare economics and related free trade polemics. There can be an approach where everything is reviewed from the ground up, and another, as it were the contrapositive, where we look first at the fruit. The latter is least laborious and enough to raise questions.

To be *free, and yet a good slave*—put that way it seems ridiculous, but it should strike one that the teaching is just like that. First there is the individual freedom, in the self-created, self-regulated, stable order, the market. Then as if this were not enough to the system, and in further praise of it, it is submitted that the overall result is efficient, like an obedient slave performing some precise duty to the utmost.

It is a relief that one is never told what the duty is. The social objective is taken to exist and to govern—because it is talked about—and

¹⁷ “The Pretence of Knowledge”, Nobel Memorial Lecture, Stockholm, 11 December 1974. In Hayek (1978), Chap. 2.

there is discourse on properties of the ‘social welfare function’—they are ‘revealed’! If more were known about the welfare function there would be in a better position to verify whether or not it is at a maximum. In some minds the loose end is put out of the way by a transfer to the Aggregation Problem, but should anyone ever get to that problem they would not know what it is.

The efficiency entertained in this story is based on the ‘commodity space’, or some derivative—in its earliest instance quite nebulous and later involving utility. The free market may truly have a genuine efficiency, of some sort, but then it would be in another space, not one that has a part in the model. Perhaps it may in some way have to do with taking over the otherwise formidable task of coordinating supply and demand—to encourage some fair allowance for the story, if that were to be an objective.

In one form of the doctrine competition is central, complex, and carefully spelt out at length. In a later form it turns up just as a word, tacked onto statements but doing no work. Here one might puzzle over the real importance of competition and ‘competitive equilibrium’. On the other hand, we do recognize the value of competition and its results even if it cannot necessarily be captured in a model. Competition is a stimulus with unheard of results, and having anything unheard of represented in a model amounts to a contradiction in terms.

It takes only two to make a competition more bedrock than perfect competition. There is also useless competition. Competition is ordinarily understood not to be unbridled but to be confined to limited channels; otherwise one may not care for the results, and become exhausted anyway. This may be a complicated subject, unlike the present one which is perfectly simple; perhaps not so simple is the general influence of these ideas.

Contrary to what we read in textbooks, there is not and cannot be a representation of a social optimality in any usual market equilibrium model. This is obvious; however, though something like this has been said many times, it seems not to be acknowledged. Something else not so plain has a stronger influence. Bertrand Russell said “repetition is not a form of argument” but he was speaking maybe as a logician and thinking what we know, that repetition is a form of argument—a powerful one!

2.3 Pangloss

A choice has the form of a set with a single element picked out of it. One might question about the distinction of the element—what does it have that the others do not? That it has been chosen and the others have not is impressive: the other points seem to be losers. Then the point is

optimal—in a sense, which makes the best of all possible worlds of Dr Pangloss, or the optimum of general equilibrium, or the paradox of the “Voting Paradox”, or the revealed preference of the bundle of goods bought over all those that might have been bought instead with the same money.

‘Optimum’ is a term that has a great part in economics, so the sense of it is important. Ordinarily it signifies the best option for a specific purpose, by a criterion related to that purpose. There can be no reservations about that, and adherence to common usage should prevent any different meaning being given to the term, even in some special application. Where a choice is to be made, ‘best’ means ‘chosen’, since weighing alternatives as better or worse is only done in order to make a choice between them. There is a way of comparing alternatives, which exists separately in advance of the matter of making a choice and then comes to bear in the choice. Consider, for instance, wanting a heavy stone to serve as an anchor, the heavier the better, and looking around for the best stone, making comparisons. The stones had weight before that need for making a choice arose and regardless of it, and certainly before the optimal stone was found. A disturbing contrast is in ‘optimality’ cases of economics. An adjustment must be made, and here what is judged to be common usage will be adhered to. There might be an error in the judgement but at least the locus of it will be clear.

Acting so as to achieve the maximum of something has been offered as the definition of rationality. A first question that comes to mind concerns what is actually being said. Does it matter what is being made a maximum? If not then the function that is zero everywhere and thus also a maximum everywhere would serve well. If a strict maximum is wanted, so as to have a full explanation of the uniquely chosen object, a function that is one somewhere and zero elsewhere will be a strict maximum and *optimal* anywhere one wants. Such speculations cannot be part of the meaning of rationality, but still there is no guidance for knowing what is wanted.

Even if we put aside all the problems associated with choice and preference at the individual level, the transfer of the model for an individual to an arbitrary collection of individuals, found in welfare economics, should give us pause. Such a transfer expresses something like the *volonté générale* of the eighteenth century, associated with a collection of individuals being so settled together in some way that it amounted to a unified organism representing an individual of a new order, with a will encompassing all the individual wills. Now we have the same idea, but it involves an arbitrary collection, an abstract set, since nothing is spelt out about the members and their relationship to each other that produces the wonderful result. Modern theories claim to be explicit

and to work with models in which everything that is used is always said in advance, if necessary by means of unambiguously stated axioms assisted by a free use of mathematical notations. They never pretended to do that in the rational eighteenth century—in a modern dress we have been taken back earlier!

2.4 Historical

Walk ever on the path of truth—with a sneer

Voltaire to d'Alembert

I have tried to understand what it is that Adam Smith's "invisible hand" is supposed to be maximizing

Paul Samuelson

"Maximum Principles in Analytical Economics"¹⁸.

The idea of pursuit of the optimum, the sorting through of possibilities for some purpose to find the best, is understandable and commonplace. But along with it are doctrines about an optimum with a global reference produced without any intervention from ourselves. It is taught that a general economic optimum is associated with perfect competition. In another offering—with differences, though they appear not to matter—the optimum belongs to general economic equilibrium, or to a competitive equilibrium, though in this case the competitive seems to do no work and to be simply tacked onto the equilibrium, keeping up appearances in echo of the old doctrine where the competition seems to be important and is spelt out carefully at length. These matters are not in themselves understandable, but how such thinking ever came to be might be found out. That would be useful not only because of the classic cases, but also on account of fallout elsewhere.

A clue is found in historic simultaneity, and other coincidences, with the 'Optimism' of Leibniz. This was ridiculed by Voltaire and is now without influence as such, but it seems to have found a niche in economics where it has been able to survive with better protection. Leibniz, in his *Théodicée* (1710), propounded the doctrine that the actual world is the "best of all possible worlds" chosen by the Creator out of all the possible worlds which were present in his thoughts by the criterion of being the world in which the most good could be obtained at the cost of the least evil. This is the doctrine known as Optimism; in its time it drew a great deal of attention and is famous still. Voltaire's *Candide, ou l'Optimisme* (1759) with the well-known character of Dr Pangloss was

¹⁸ Nobel Memorial Lecture, Stockholm, 11 December 1970. In *Les Prix Nobel en 1970*. Amsterdam and New York: Elsevier. Reprinted in *Science*, 10 September, 1971.

“written to refute the system of optimism, which it has done with brilliant success.” All this and further information is in the *Oxford English Dictionary*. It was Leibniz who introduced ‘optimum’ as a technical term on the model of a maximum, and it first came into a dictionary in 1752. We are told:

The optimism of Leibniz was based on the following trilemma:- If this world be not the best possible, God must either,

1. not have known how to make a better,
2. not have been able,
3. not have chosen.

The first proposition contradicts his omniscience, the second his omnipotence, the third his benevolence.

The arguments about the economy are not quite like that. Instead there is a page of calculus, promising infinitesimal precision. It matters not about what, the results are the same. This is a parallel of the Maximum Doctrine that came into economics with François Quesnay and the Physiocrats and flourishes still. It is impressive to find Quesnay’s Economic Principle “greatest satisfaction to be attained at the cost of the least labour-pain” perfectly represented in Leibniz’s doctrine *vis-à-vis* the Creator’s choice criterion. The senseless double optimization, found again with the “greatest happiness of the greatest number” formula, is avoided in the Pareto Optimum. This is not an optimum in the sense intended by Leibniz, even though he abused it, which continues to the present as the understood proper usage. But calling it an optimum shows respect for the old story. Under Pareto Optimism, with regard to the good and evil of the world, there would be the greatest good attainable with the given evil, and the least evil suffered for the good. Begging the main question by a cost-benefit analysis, suitable to mortals who have to get on with the job but no doubt contrary to the law of Heaven, Creation would have been delayed by the need to make a choice between points in the good-evil ‘possibility-set’—as we would now say. Leibniz omitted a criterion for that. Were there a marginal price to resolve the matter, with the return of good for evil diminishing to a point of equilibrium, the economic analysis of Creation could have gone further with a use of the new Calculus. There could also have been discourse about the price, the author of it, and why it was not better, or worse.

2.5 Another report, and Pessimism

By another report, a virus landed on Earth in a meteor and the life that we know emerged through the effort to create a more hospitable environment. The important question then is whether our proper duty is

being performed *optimally*. Neglect of the Virus Welfare Function only shows the ignorance that prevails about a fundamental matter.

More on the side of Pessimism, a worry brought forward recently, with a formidable display of erudition in scientific formulae, is Entropy. From Steam Engines, it went into Poetry—and now Economics. It is excellent for poetry, where there is no need for Boltzmann's equation. Now it comes into economics bolstered with all possible equations and a disturbing message: the entropy of the universe is increasing, everything is going downhill, bound to fall apart, final degradation is inevitable, and one is ignorant not to know it. This seems to be the 'Entropy Law' according to the recent innovation in terminology. It confirms the worst suspicions of some ecologists and others about reality, and gives cheer that truth is revealed at last to properly intimidated economists. There has been a stunned silence in the economics profession proper, but a few words by Harold Morowitz, a molecular biochemist of Yale University, serve well as a complete comment¹⁹.

2.6 Important nonsense

The impossible 'happiness' formula is now known mostly as a Marxist slogan. But it had an early origin, as does the model for its illogic which came from Leibniz, entered economics with Quesnay, and was accidentally given a new though more subdued life by Pareto, which it still has. P.P.Wiener (1973) attributes the formula to Frances Hutcheson (1694-1746), the teacher of Adam Smith. Its classic attribution is to the Utilitarians, and Marxists must have borrowed it from them. According to I. Philips:

John Bowring says in his *Deontology* [1834, p.100] that Jeremy Bentham recalled how on a visit to Oxford in 1768 he had first come across the phrase "the greatest happiness of the greatest number", in Joseph Priestley's *Essay on the first principles of Government*, published in that year, 1768. It was from that pamphlet [Bentham said] that I drew the phrase, the words and import of which have been so widely diffused over the civilized world. At the sight of it, I cried out, as it were in an inward ecstasy like Archimedes on the discovery of the fundamental principle of hydrostatics, *Ευρηκα*.

Here is another thought, bright with the free market devotion:

Edgeworth's pleasure machine assumption bore wonderful intellectual fruit it could be shown—with all the irrefutability of the differential calculus—that in

¹⁹ Review of Entropy, a New World View by Jeremy Rivkin and Ted Howland, in *Discover*, January 1981, 83-5.

a world of perfect competition each pleasure machine would achieve the highest amount of pleasure that could be meted out by society.

Robert Heilbroner
The Worldly Philosophers
 (5th Edition, p. 172)

Enjoyment of the wonderful fruit should, in this case, be spoiled by a suspicion of worms. What is all the irrefutability of the differential calculus? Is it like irresistible authority of the Chain Rule? Or final truth in the Infinitesimal, unphased by digital diversions? Or the incomprehension and boredom of all those readers who give a passing glance at the exhibition of machinery and then get on with the text?

We should do that first, since the outer skin of this fruit is not without blemishes. We are faced once more with the Leibnizian nonsense, expanded into n dimensions. That ought to be a relief, since now there should really be no need to go back to the skipped-over calculus after all. However, belief there is relief is feeble *optimism*, a dream of *rationality*. For the particular calculus turns up in countless textbooks—at least we should know now where it started.

2.7 Welfare again

If we continue the traditional identification of rationality with a maximization of some sort, then the problem of achieving a social maximum derived from individual desires is precisely the problem which has been central to the field of welfare economics

Kenneth J. Arrow
Social Choice and Individual Values, 1951

This statement has influenced a generation, or two, so even if positions have changed in the meanwhile it deserves a comment. For some, possibly everyone, the ‘traditional identification’ starts here. In any case ‘rational’ has diverse uses, not all to be killed off in the one stroke. Arrow’s own use is connected perhaps with another and through carelessness might be taken to be the same. That has to do with the doctrine of free will where man, being endowed with reason, has to choose between good and evil. Man knows good from evil but the choice is still a problem. In welfare economics it is rather the other way round: the determination to choose the best, or maximum, is fully taken for granted; the problem, instead, is knowing the better from the worse. A fair connection might be found if the choice between good and evil were as simple as optimization, but apparently it is not, and dispute is possible. Dr Pangloss was hanged (instead of being burnt—because it was raining!)

for speaking about the matter. And poor Candide was beaten just for listening.

The brevity of the above passage conceals a complexity of which this matter of use of a word is only a part. A significance of bringing in rationality at all has to be known. Anything linked with rationality is usually rated a good thing, though the importance of it can be exaggerated. In any case, what is brought before us is something social—never mind what—“derived from individual desires”. A sense that can be made out is that the derivation is in some way democratic, with the result for society being decided by its individual members—for instance by taking a vote, though nothing so commonplace is contemplated. One could hold on to this idea as a possibly clear element in the matter. Rescued—or even not—from the quagmire made by company with rationality, maximality, welfare, and so forth, it has helped stimulate the attention given to democratic decision processes.

But we should revisit the quagmire. One hears about the ‘group mind’, though it is difficult to be rational about it, and in any case no one ever said it was rational. The group mind syndrome is manifested in this very subject, and that is how the irrational phenomena in it ought to be understood.

In the ‘traditional’ adherence, rationality is associated with mind or thought belonging to individuals. However, after maximization has been blessed with the name of rationality by the rhetorical “if then ” we find it promptly applied to the group, any group. We had that already in the beginning with the antique Maximum Doctrine of the Physiocrats, and then with modern welfare economics. Now we should have it still, but with a better modern, and at the same time properly traditional, conscience, giving complete courage for what follows. That contains mathematics which is unusual and original in itself, so as to give interest regardless of what otherwise it should be about. An accidental effect is to enhance the credibility of ideas offered at the start.

The voting paradox has prominence, but it is a paradox only if one sees the elected candidate—surely “derived from individual desires”, or votes at least—as not simply elected but also best, a social maximum. Since the paradox is not made into a lesson for not seeing elected candidates that way, it becomes the opposite and reinforces the simplistic optimization way of thinking which is important for welfare economics.

A giver of solutions to problems, the mathematical mode is also a problem itself, because of the scientific aura. No strategy is suggested here, but something parallel involving the same psychology has been well expressed by Harold Morowitz (1981): “A popular strategy in modern salesmanship is to associate an impressive scientific term with a product.

Thus ‘protein’ has been put into shampoo, ‘nucleic acid’ into hair rinse—and ‘entropy’ into economics and sociology.”

A group, as understood in choice theory, should be a model that involves individuals and their connections, not just an abstract set. The model should be explicit about its features, so that it is known what is being dealt with: there are the individuals and, moreover, there is what they have to do together. Here the matter is just terminology, but there can be obscurity in arguments dealing with a group about what it is that makes the individuals into a group.

In the familiar economic model, there are individual agents whose connection with each other rests solely on the fact that they trade goods at certain prices. They take notice only of prices and encounter each other only because, so we understand, wherever there is a buyer there must be a seller and conversely. These individuals, though a group by virtue of the transaction connections, have no purpose or other government other than their own separate ones, by which they voluntarily enter into the transactions; the only interface between them is the price. In the model they have no community but prices—no political connection, and no other expression of a common interest. The model even lacks the terms that might provide a definition of group welfare and give it a significant function. But still group welfare is talked about. One should wonder how this is possible. It might be possible to envision a model that included some concept of group welfare, but it would be a different model.

In microeconomics, an economy is a model consisting of a group of individuals who form a system through their transaction relationships. Political theory might take a political body to comprise a group of individuals bound together by a constitution. For purposes of ideal discussion, economic and political aspects may be isolated from each other, even though in experience they are bound together; desiccated idealizations are better for purposes of abstract discussion. We have theory that deals with the characteristics of groups of individuals making group decisions based on individual decisions, as in democratic processes. The theory might relate primarily to politics, but it has come to be applied as well to economics, where, though there can be doubts that it should, it is linked with welfare theory.

Groups of various kinds are found in the world of experience, and they make group decisions—a school of dolphins, flight of geese, sport team, military unit, biological population, society of cells in an organism, and so forth. One can compare a political body or economic system with such groups for similarities and contrasts. Some decisions taken by these groups may be comprehensible and others mysterious, but in any case we would not think of interpreting all their decisions as simple optimization.

3 Keynes on “National self-sufficiency”

3.1 Free trade

But when we wonder what to put in its place, we are extremely perplexed.

Keynes

International relations have been well known for instability, resulting in breakdowns that lead to military confrontation. Today counterbalancing these traditional tensions are additional ecological, environmental, and population concerns, as well as the intense involvement in trade. There may be hope for greater stability, but no guarantee.

There is the familiar pattern where nationalities, markets and religions bind masses of people together—and contribute to conflicts. States require a basis of security for viability. Hence outside threats are matched by measures of defence, which in turn give a capability for offence, feeding new needs for defence, creating an expanding, exhausting cycle. This is the typical destabilization pattern, and economic relationships can fall victim to it when things go wrong.

The expanding spiral has been at the root of difficulty about disarmament, making it not quite feasible. But the major powers now have the deterrence of the bomb, and they suffer exhaustion from the demands of the spiral without having reached the point of war. There is something like the appearance of a new situation.

It may seem that almost anything can be thought or said in economics and probably has been. Now there is the suspicion that, as a result of volatilities enhanced by electronics, which allow massive movements of capital almost instantaneously, perhaps just by chance, an instability of a new order may be creeping into the system—one that may at some point test the robustness of the system, or demonstrate its fragility.

Trade seems to be the order of the day. The current emphasis is on the gains from trade, expansion is an understood condition for prosperity, and free trade (nebulously, whatever it should mean, since in practice trade is always hedged in by all sorts of rules and regulations) is held up by the more determined traders as the ideal.

Few try to imagine what a world of truly open markets and free trade would be like—the befuddlement with global noise, the unrelieved stress from adjusting to movements and dealing with clever manoeuvres. Alternatively, there is the view of the market as invisible hand or as a medium for coordinating supply and demand. According to this view, the market is just a machine that does not notice what it does. It is driven by gain and not everything that happens is open and friendly. Hence

understandably, when it is possible, wherever there is a sovereign community and not just a trading post, there is resort to ‘protectionism’.

It is possible to be in favour of peace without being sure what should be done with it. George Ignatieff²⁰ argued that cutting back armaments can serve a country’s competitiveness in the world market. If that should be the result of peace, it could be a matter of jumping from the frying pan into the fire. The problem of peace, which once meant how to attain peace in the first place, now may take on an additional meaning. Peace once attained will not be without its own difficulties.

The building of self-sufficiency in some sense, or viability without completely haphazard dependence on others, is an alternative worthy of consideration by those who would know how to enjoy it. It could affect development policy, which so often promotes trade interests under the guise of aid.

Protecting borders is called defence, something understandable and commonplace, even good. However, protecting an economic community is ‘protectionism’—not so good! Yet the alternative to economic protectionism is to be exposed to arbitrary happenings that do not serve home interests, that absorb attention and require continual and costly adjustments beyond the capacity of many, who then fall into a disadvantaged position. The promotion of free trade as an ideal and an unqualified good, besides the falsity in it, in effect covers over issues that should require deliberation. Such teachings in any case tend to be disregarded by those with practical responsibilities, so it is to some extent inconsequential. The doctrine of free trade is like those portentous and hazy formulae or slogans that bolstered claims of the recently abandoned communist ideology. Nonetheless, as in that case, it does have significant influence and invites contrary thinking. For that the 1933 article of Keynes does service, even though he had been concerned about peace at a time when its preservation seemed unlikely. He reopens ideas where teachings aided by objectionable argument would have them closed. Unless indicated otherwise all following quotations are from that article.

3.2 External affairs

I thought England’s free-trade convictions, maintained for nearly a hundred years, to be both the explanation before man and the justification before heaven of her economic supremacy.

Keynes

While once one would usually have gone to market for a few things largely of local origin, today we are in the midst of a global system, one

²⁰ Holtom Lecture, Ottawa, 6 February 1989.

without respect for locality. There is nothing wrong with markets as such, where goods are traded or bear a price. They are not the discovery of modern economics but have always existed, coming into being wherever there has been some protection of property. Traders, as such, must find the market a good thing, but no one long ago said it was ‘optimal’, whatever that may mean. Access to a market opens opportunity. There may then be a temptation, but whether or not to yield to it should still be a question.

According to Keynes, “to shuffle out of the mental habits of the nineteenth century world is likely to be a long business”. These habits still persist and one may wonder whether the shuffle can have a quicker pace. They were the habits of the undisputed economic rulers of that era, Britain and then the United States, that gave confident approval to the “survival of the economically fittest”, themselves²¹. In view of changes in the world, some other thoughts should probably be admitted.

I sympathize...with those who would minimize, rather than with those who would maximize, economic entanglement between nations.

Keynes

This idea is at odds with normal thinking, and certainly with surrender to indiscriminate globalization. But the guard at a frontier does not only watch for an invasion of troops; anything that would cross can be inspected. When the division of labour is freely extended internationally, the frontier is opened and an element of sovereignty and security has been given up.

Communities are formed by people living and acting together, with common interests for pursuit and protect. They share in the care and defence of a territory, and enjoy the resulting security, create a market for the division of labour, or are united in other ways. However that may be, a community, perhaps just a village, even a club, is marked by separateness from the outside.

In the dependence of welfare of a country on external relationships, defence is a branch, and there one thinks first of the military. This takes away from other aspects, such as economic. However, in the age of deterrence through mutually assured destruction, military exercise is restricted, if not prevented, and relationships between countries are confined more to economics. Functions of defence are transferred to the economic sphere, and inert military weight can become a debility.

In his 1933 article Keynes is concerned about defence where the military is not given high priority, and about peace. This is not

²¹ The Japanese are of course successful traders, even a model nowadays, though they seem not to be at all doctrinaire about it.

‘Keynesian economics’; rather it seems to be an isolated offering that he did not pursue further. Most of what has happened more recently is in the opposite direction, but that does not alter the interest of it.

The self-sufficiency envisaged cannot, of course, be understood in any completely simple sense, but it includes the idea that it is better not to have a way of life where one is at the mercy of others for important essentials; for these, Keynes give importance to proximity. Priorities may produce stages of community, anything outside at any stage being more expendable than anything within. Since the Earth itself is not expendable, there has to be some pulling together at that, the final stage.

3.3 Proximities

Let goods be homespun.

Keynes

The Earth is a community now that any part of it can be reached from any other in a few hours, and it is especially that since its destruction would affect everyone. People become associated by proximity; friends, and enemies, are usually neighbours. There are many kinds of distances, but geographical location reduces them, making it, as it has always been, especially important. Territories have been delineated by oceans, rivers, and mountains, beside other accidents of history.

A definition of self-sufficiency cannot be simple at this particular time, though new factors might now serve the idea better. Images of the old city-state, or the Virgilian agricultural estate, may not fit entirely though they have something to offer. But in any case it would be helpful now to understand Keynes’s concept of national self-sufficiency, and why he advocated it. In particular, Keynes proposed proximity of producers and consumers, and of the owners and operators of productive facilities. This is at variance with wisdom of 1933 and today.

Proximity may be understood to serve sovereignty, which usually, in the first place, has a territory as reference, and the security of some degree of sufficiency. Regional deficiencies can be diminished by trading in a community; but a community as a whole may itself have deficiencies. Hence communities have reasons for getting together, as it were in a hierarchy providing progressive extensions of home. Collective concern for the Earth, the final home extension, imposes a community over all others; whatever the deficiencies there, they have to be lived with, since there is (as yet) nowhere else to go.

Keynes remarked on various political experiments going on around the world. He preferred self-determination over mutual interference, whereby communities might sink or swim as they choose. The needs of community may produce some convergence of elements, but the

divergence into variety is in the order of things and has its claim: as might be allowed, every specific locus is unique and has its peculiar entitlement and sovereignty.

3.4 Distances

Remoteness between ownership and operation is an evil.

Keynes

Dependence on others in some vital matter, especially when it is not reciprocal, leaves one disadvantaged and exposed. The destruction of the Adelaide market (see last section), which can be interpreted in other ways, is a good example. The oil embargo demonstrates the case of import-dependence and its hazard. Similarly there is export-dependence, at an unfortunate extreme in the case of single-crop economies. Economic vulnerability can lead to unsettlement and wreckage comparable to that from military assault. Yet economic defence is not taken as seriously as military defence, and not given the same approval.

Keynes questions the “great concentration of national effort on the capture of foreign trade ... the penetration of a country’s economic structure by the resources and the influence of foreign capitalists” and the “close dependence of our own economic life on the fluctuating economic policies of foreign countries.” He finds nothing here to serve stability and peace. In a scheme of things “which aims at the maximum international specialization and at the maximum geographical diffusion of capital wherever the seat of ownership”, the “protection of a country’s foreign interests, the capture of new markets” and “the progress of economic imperialism” are unavoidable. Coherent proximities are spoilt, and life is exposed to remote disturbances and dreadful complications. He goes further, objecting to other incoherencies and distances:

The divorce between ownership and the real responsibility of management is serious... when, as a result of joint-stock enterprise, ownership is broken up between innumerable individuals who buy their interest today and sell it tomorrow and lack altogether both knowledge and responsibility towards what they momentarily own... I am irresponsible towards what I own and those who operate what I own are irresponsible towards me.

He illustrates this idea with “the part ownership of A.E.G. of Germany by a speculator in Chicago, or of municipal improvements of Rio de Janeiro by an English spinster.” In allowing that “There may be some financial calculation which shows it to be advantageous that my savings should be invested in whatever quarter of the habitable globe shows the greatest marginal efficiency of capital or the highest rate of interest,” he brings forward neglected factors “which will bring to nought the financial calculation.” He cedes possible merit, in its time, to the general

presumptions regarding the fundamental characteristics of economic society that prevailed since the nineteenth century, and declares, “I become doubtful whether the economic cost of national self-sufficiency is great enough to outweigh the other advantages of gradually bringing the producer and the consumer within the ambit of the same national, economic and financial organization.”

Then he further states:

Experience accumulates to prove that most modern mass-production processes can be performed in most countries and climates with almost equal efficiency. Moreover, as wealth increases, both primary and manufactured products play a smaller relative part in the economy compared with houses, personal services and local amenities which are not subject to the international exchange; with the result that a moderate increase in the real cost of the former consequent on greater national self-sufficiency may cease to be of serious consequence when weighed in the balance against advantages of a different kind. National self-sufficiency, in short, though it costs something, may be becoming a luxury which we can afford if we happen to want it.

If that was at all true in his time, it could be more so now.

Ecology brings forward the notion of the relationship between people and their territory, fostered by decentralization towards small units. People are not so much owners as caretakers. Resources are limited, so human needs must be limited too; insatiability comes from an increasing population and competitive pressures. In the absence of such raw factors that undermine it, and given the needed character for the undertaking, any people can, in their own way, build from subsistence towards satiation—a state that meets their own needs while not undermining those of the Earth.

3.5 High points

The intelligence which proceeds not by hoping for the best (a method only valuable in desperate situations), but by estimating what the facts are, and thus obtaining a clearer vision of what to expect.

Pericles

Not only capitalism, with its global market free of any regulation but its own, but also Marxism has its high point in the “withering away of the state”, under strange assumptions about the nature of man, discussed by J. Alvey.²² The two share a similarity on this point, even though the one withering may not be quite the other. As for any principle that may be drawn from Keynes’s own article, if there is one, it is proximity, it is

²² “The relevance of Marx’s assumptions on the nature of man for his economics.” Research Paper No. 314 (April 1987), School of Economic and Financial Studies, Macquarie University, North Ryde, N.S.W.

having the sense needed for coming down to Earth—an important proximity. He gives this principle several applications. It may not join with the sublimities of Leibniz and Hegel, but in sober times it may be enough. Keynes seems to have in mind an order different from what we have, even though he does not provide details.

What is the purpose of Keynes's order and how should it come about? He submits it is not an end in itself but is "directed to the creation of an environment in which other ideals can be safely and conveniently pursued." He sees the emergence as gradual: "It should not be a matter of tearing up roots but of slowly training a plant to grow in a different direction." Considering the field for the training, this may be an optimistic way of putting it. With regards to a future order, time with its normal dispensation of disaster may bring it about in the shape of repairable fabrics that survive. But Keynes seems to think that, after "estimating what the facts are", there is a path that should be taken anyway.

Clearly his views could have no impact at the time. He seems to have disregarded for the momentum of the present, choosing instead to give his view of what economics must eventually be about. His ideas relate not just to the concerns he had in 1933, but to the present day and the future. "Estimating what the facts are," for Keynes, most immediately concerned the oncoming world war, while now the world-encircling realities have to do with interdependent factors of ecology, environment, and population.

3.6 Interests

Current issues were highlighted in a debate on the public television programme "American Interest", one side taken by the chairman of Citizens against Foreign Control of America (C.A.F.C.A.), June-Collier Mason. The opponent advanced the usual unreconstructed dogmas about gains from trade, while Mason held that not everything was for sale, or could be bought. It seemed a questionable evolution when states vie with each other for foreign investments or purchases, even though one knows the usual arguments: to create jobs, stimulate the economy, transfer technology, and so on. There could be a need met and a gain obtained, but one can wonder where this will lead if the drive continues—as with drug dependence. There must be things that an independent people should do for themselves, and the spectacle makes any concept of self-sufficiency seem empty. But we may just be witnessing the *reductio ad absurdum* of the unqualified free trade indoctrination, preachers themselves now being principal victims.

Next to this phenomenon, for contrast, one can contemplate how Japan, now the trader, once withdrew from the international scene for

about 260 years. It took gunboats to make them open up—for trade, of course.

The old forms of national power, backed by the military, have not been attenuated but transmuted and channelled elsewhere, preserving the usual potential for coercion and conflict. Economics is as serious as war and closely related to it. The Peloponnesian War was precipitated by the denial of the Athens market to an ally of Sparta, and it took an American gunboat to persuade the Japanese into trade relations. Apparently Keynes was not satisfied with the concept of what constitutes peace and was looking further.

His exploration may be understood better today than in 1933, for many reasons. It is not related to “Keynesian economics” which Axel Leijonhufvud²³ has distinguished from “the economics of Keynes”, or to anything that one usually associates with Keynes; rather it has to do with a neglected item.

4 In Adelaide (or anywhere)

Not only do I have an apparently eccentric fondness for an ancient economic institution, but I am led to strange political conclusions.

Michael Symons

“In Adelaide, the collapse of the free market”

Sydney, NSW: *Times on Sunday*, 3 May 1987

An important kind of market is the local one, associated with and requiring the protection of a specific community. Giants stride the global market seeking entry where they choose, destroying local fabric wherever they go. Their unhampered access can only be explained by the unguardedness of victims.

Michael Symons (1987) describes an illustrative case where the East End market in Adelaide, South Australia, was being demolished and moved to the outskirts. The change would serve the interests of large-scale producers, merchants, supermarkets, food processors, and the developers of the valuable city site. At the same time, “food [would] lose cheapness, freshness, quality and seasonality.” After some pressure, the Edwardian facades were retained, as a “heritage case”. However, “a market is more than a building, being a key gastronomic, agricultural, economic and civic institution”. Adelaide is to be locked another step into the national and international distribution system:

Just as the shift will hasten the demise of small market gardeners and orchardists, so too will more greengrocers be forced out of business by the

²³ *Keynesian Economics and the Economics of Keynes*. New York: Oxford University Press, 1968

greater distances, changed hours and much higher rents. Supermarkets, which presently by-pass the East End market, can be accommodated at the new 32-hectare centre.

So, we will lose a few more primary producers, market workers and corner greengrocers: Adelaide citizens will get more expensive, older and lower-quality fruit and vegetables (try shopping at our supermarkets now) and, more profoundly, we will further lose seasonal and regional variation in our food.

The costs and benefits and their incidence are well outlined in this description. The global market acts as a destructive solvent, corroding and carrying away local particulars. Its work could have been stopped, but the accepted teaching has given it an inevitability and legitimacy, numbing thought and persuading submission. How else can one explain “why farmers, who so often complain they are ignored, aren’t protesting at the loss of their city presence, and their livelihoods? Why aren’t small retailers rioting against unfair competition, and unemployment? Why don’t governments care about eaters?”

The destruction of *Les Halles* markets in Paris is compared with razing Notre Dame Cathedral, leaving Parisians with more expensive, inferior produce: “A vital cuisine is derived from the basic level of the myriad activities of individual operators—not from food giants. So when the East End market goes the way of *Les Halles* and Covent Garden, Adelaide will lose a colourful centre and, more importantly, the original free market.”

As said by Fernand Braudel, “markets are the *raison d’être* of towns. They are the birthplace of our economy.” A society fails when it allows its markets to be destroyed because of excessive love of polemicist theoreticians. As with the monotheistic dedication these envisage a single universal being, the Market (these days global though hitherto not so specific) as ground for all economy and endow it with the divine Optimum. It was supposed the age of faith had passed, but apparently not.

Zealous devotees of the market system, missing the simple point of it and pursuing a new theory dressed with equations and permeated with “unjustified scientism”²⁴ and worse, may be its enemies. Thinking of a market which is “perfect” and “optimal” (for whom and in what respect?) they advocate a chaotic abandonment of restraint and offer less in the way of discipline that could serve the system and its genuine welfare aspects.

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²⁴ Valuable phrase found in an Annual Report of the Institute of Advanced Study, Princeton.

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