

## BOOK REVIEW

### *ECONOMISTS AND THE STATE: WHAT WENT WRONG*

TIMOTHY P. ROTH

CHELTENHAM, UK: EDWARD ELGAR, 2014, 192 PP.

MARK THORNTON

The Federal legislative process has completely broken down, from a deliberate rule-guided process to one that seems completely ad hoc and driven by lobbyists. This trend continues no matter what party is in power. Congress bypasses its own rules, ignores its own schedules, and call for votes without providing enough time for representatives and senators to even read the bills.

Legislation such as the Affordable Care Act, the Stimulus bill, the Medicare prescription drug bill, and the Omnibus Appropriations Act of 2009 are all examples of this ad hoc legislative process where the Congress ignores the traditional Congressional processes and timetables. The Troubled Asset Relief Program or

---

Mark Thornton, Ph.D., ([mthornton@mises.org](mailto:mthornton@mises.org)) is Senior Fellow at the Ludwig von Mises Institute and serves as book review editor of the QJAE.

TARP, for example, allocated \$700 billion for a specific purpose, but once the legislation was passed the money was doled out to a wide variety of programs, in what amounted to a wild fiscal orgy in Washington, DC.

What went wrong is therefore more than just a bewildering and costly regulatory code, an exploitive and ruinous tax code, and a fundamentally immoral and disastrous national debt. Author Timothy Roth shows that the federal government is being run in a sinister and criminal manner, not a legal one. As a result the vast majority of Americans no longer trust the federal government. They have no confidence in Congress and view Congress as representing the crony capitalists, not constituents. Furthermore, Americans see the majority of their tax dollars as simply being wasted. This serious book reports on “what went wrong,” dishes out some of the blame to the mainstream economics profession, and even provides some possible remedies.

Roth begins with the modern economist’s embrace of a theory of the state in which a social welfare theory drives policymaking based on utilitarian considerations. This process results in distributive rather than procedural justice. As a result, the “egalitarian spirit” destroys rights and imposes discriminatory policies and redistributionism. This in turn impacts the individual citizen’s psyche, their respect for law and rights, and reduces their trust in government. The author thereby blames modern economics, or at least the acceptance of its analytical and moral framework, for undermining “the legitimacy and stability of republican self government.” (p. xi)

This consequentialist-utilitarian process of government is fundamentally at odds with the procedurally based approach of classical liberalism. The former is the realm of *homo economicus*, the latter is based on real man. The former allows for government action to achieve various goals or to fix some technical problem in the economy, while the latter is largely constrained against doing so. The replacement of classical liberalism with the modern economist’s mindset has thereby opened Pandora’s box of government intervention and redistribution. Both the process and the results of that process are the reality of the modern political dilemma.

Roth suggests that only a return to the roots of classical liberalism can reverse our course. In particular he invokes Adam Smith,

Immanuel Kant, the American Founding Fathers, particularly James Madison, and one of the founders of the Public Choice School, James Buchanan, as examples of the proper approach. Most particularly, there needs to be a return to procedural justice and a rejection of distributive justice:

Economists should embrace the explicitly normative, procedurally based and consequence-detached political economy that comes to us through the work of Adam Smith and the America's Founders. If this means that their political economy must be conjoined to the moral and political philosophy articulated by Adam Smith, Immanuel Kant and John Rawls, it also means that economists must reject the politics and the economics of wants and needs and distributive or 'social justice'. (p. 146)

According to Roth, the "Smithian Inheritance" is the utter distrust of government and the belief that government is a dangerous and harmful institution. Parallel to this stance is the strong belief that humanity is or at least could be a self-governing society. In terms of government, Smith distrusted the judiciary and concluded that it should be separate and independent from the executive branch of government and that it should be constrained in every possible way. He sees the executive branch as invidious and wholly destructive. The legislative branch is also bad, but Smith held out hope that moral citizens would choose moral representatives or at least act to restrain them.

Roth believes that these Smithian views can be found in the Founding Fathers, the Federalist Papers and the Constitution and this is certainly true. However, I would note that Smith's views, as discussed by Roth, might be better seen in the slightly earlier generation of Founding Fathers and the Articles of Confederation. With the Articles of Confederation the judiciary is absent, the executive is disemboweled, and the legislature is constrained by both the States and the more stringent voting rules of the Articles. In comparison, the Constitution was a compromise with big, centralized government, and an extralegal one at that. Like most analysts, Roth dismisses the Articles out of hand without argument, analysis, or evidence.

The Founders of the Constitution hoped to constrain the central government with federalism, separation of powers, checks and balances, the Bill of Rights, and the "civic virtue" of the citizens. The

limit of the central government would be the enumerated powers listed in the Constitution. The author points out (pp. 90–92) that the majority of the Founders of the Constitution believed that the meaning of the General Welfare Clause was that Congress could pass any law needed to execute the enumerated powers, not that they could pass any law they wanted. In retrospect, that is the only interpretation that could make any sense of the Constitution.

Hence we find a problem with the Constitution. The Founders of the Constitution wanted a government powerful enough i.e. the General Welfare Clause, to be able to carry out the enumerated powers. They thought that they could constrain government through procedures, interests, and virtue. Whether this perspective is the result of naiveté or self interest is an interesting question, but at this point in time an unimportant one. The increase in the potential to “solve problems” eventually combined with the desire to solve a wider array of problems to create *the problem* of big, uncontrolled government. It turns out the ability of the Constitution to control the central government was an illusion.

Take Madison’s Federalist Paper No. 10 as an example of this naiveté. Here Madison argues that large expansive republics are better than small republics because they better balance the power of “factions” or interest groups and prevent any interest group from dominating the government. He argued that such factions can take control of small republics. According to Madison, local majorities in small republics are cancelled out once incorporated into larger republics. This is why, Madison argued, the Constitution with its expanded powers and geographic size, was a better check on the power of government, compared to the States under the Article of Confederation.

What went wrong? The construction of the Constitution failed to contain the powers of the Constitution and under the doctrines of modern economics and modern legal theory the central government has grown and developed into something the Founders of the Constitution did not intend. Indeed, it has turned out exactly as what they feared most.

Roth recommends a return to the understanding of liberty that Adam Smith gave us, an understanding of the republic from the Founding Fathers, the notion of constitutional government from

James Buchanan, and the guiding force of impartiality as found in John Rawls and others.

It is difficult to argue with much of the analysis, conclusions, and recommendations that Timothy Roth provides in *Economists and the State*. However, it does seem unsatisfying to argue that in order to correct our current dilemma that we essentially hit the restart button, go back to our original starting point, the US Constitution, and learn from our mistakes. As we search for causes and solutions, a much wider perspective is called for. For example, a different reading of Adam Smith might point us back further in time to the Articles of Confederation, as I have argued above. However, I would not stop there. Surely, the principles of the Founding Fathers pointed us in the right direction on the road to self government. The only question is how far can we travel.