Preface

In light of the many books that in recent years have announced their subject as “political economy,” a potential reader will reasonably wonder how this book differs from those books. It differs in many ways. Those other books typically treat polities or states as unitary entities that intervene into economies to change their courses in some fashion. In these treatments, states are single-minded entities that operate independently of the rest of society. To the contrary, I treat democratic polities as plural and not singular, which means that the entities that constitute a state are able in large measure to act independently of one another. There is no single mind that directs what is widely described as state activity. Rather, the activities of states arise through competition among many minds, just as do the activities of the enterprises that comprise a society’s market economy. Within this alternative scheme of thought, political and economic entities are deeply entangled. Being entangled means that a business typically cannot determine prudent conduct independently of the desires of relevant political entities. It likewise means that political entities can’t determine prudent practice independently of the desires of relevant commercial entities. What results from thinking about an entangled system of political economy is recognition that political practice is a peculiar form of business practice.

At the conclusion of the American Constitutional Convention in 1787, Benjamin Franklin is reported to have responded, “A republic if you can keep it,” to a question from someone who asked him what kind of government the Convention had established. Franklin’s challenge clearly has not been met. Over the past century especially, the original limited republic has morphed to a significant extent into a nearly unlimited democracy where there is little principled limit on the reach of the political into society, and with Richard Epstein (2014) setting forth a lucid description of this transformation. I use the logic of an entangled system of political economy to explain how a regime founded on a constitution of liberty, where citizens pretty much can do as they choose so long as they respect the equivalent rights of other people, can morph into a constitution of control, wherein political imperatives come to dominate large swaths of societal life.

Recognition that politics can reasonably be treated as a peculiar form
of business does not reject Michael Oakeshott’s (1975) useful distinction between civil association and enterprise association, but only recognizes that examining polities as peculiar forms of enterprises can lead to useful analytical insights about contemporary political economy. Most significantly, both commercial and political entities operate in large measure through making deals and organizing transactions. Negotiation and transaction occupy the foreground of entangled political economy, with orders and force mostly lurking in the background though still having real presence. Entangled political economy takes seriously the claims of spontaneous order theorizing to the effect that large-scale societies must be organized largely through transactions because they are too complex to be organized through systemic planning. In this respect, I embrace and amplify Craig Roberts’s (1971) recognition that the Soviet Union was not a genuinely planned economy but rather was a terribly fouled-up market economy. The qualities of the transactions that arise within any system of complex human interaction can differ across societies due to differences in their particular patterns of entanglement.

I should perhaps note that there are analogies between my use of entangled political economy and the use of quantum entanglement by physicists. All the same, I don’t regard analogies as substitutes for theory. In no way do I think you can append an economic-sounding vocabulary to analytical frameworks developed to explain physical phenomena and get anything reasonable out of the exercise, at least not without engaging in free-ranging acts of “interpretation.” The social world provides different phenomena for explanation than does the natural world, even though humans are also part of the natural world and so are subject to the forces that are at work there. For natural phenomena, there is no option but to theorize from some vantage point outside those phenomena. For social phenomena, however, much useful theorizing can only occur from a vantage point located inside those phenomena. Societal phenomena require a suitable or sui generis orientation toward their material, as Ludwig Lachmann (1971) explains in setting forth Max Weber’s legacy to social theory.

Business is a source of livelihood for many people. So is politics. Business practice entails competition among enterprises for customer support. Political practice likewise entails competition among political enterprises. Universities have schools of business administration. They also have schools of public administration. Entrepreneurship lies behind the formation of new businesses and the reconfiguration of old ones. It likewise lies behind the articulation of new political programs and the revision of old ones. Businesses must attract investors to provide capital. So must political enterprises, even though some of the investors in political enterprises are forced and not willing investors. Throughout the gamut of
political activity, the patterns of practice that economists associate with business are likewise present in democratic polities, though with substantive differences that reflect the peculiar commercial qualities of political enterprises. For instance, businesses can be bought and sold, either in whole or in part. Either way, values are established for those enterprises. Political enterprises are not subject directly to sale even though some of their assets can be sold. The absence of value for political enterprises ramiﬁes throughout a system of entangled political economy, and has much to do with the transformation of a limited republic into what is becoming a nearly unlimited democracy.

Political enterprises can influence the success of businesses, just as businesses can influence the success of political enterprises. It is misleading to speak of governmental intervention into markets because those governmental entities are themselves participants within a society’s market arrangements. While political enterprises have tools of force available to them that ordinary commercial enterprises lack, it should also be noted that the exercise of power within societies with democratic polities is rarely a matter of a governing few imposing their will on a governed mass. As Friedrich Wieser (1926) and Bertrand de Jouvenel (1948) explain, power within democratic polities must generally be exercised in a manner that obtains acquiescence if not explicit approval from large numbers of people from among the citizenry.

Within democratic polities, political enterprises must attract supporters just as must commercial enterprises, even though some people are forced to support those enterprises. Commercial enterprises engage in advertising. So do political enterprises. Commercial and political enterprises both seek to be successful in their actions and programs. Success and failure, however, are appraised differently between political and commercial enterprises because political profit manifests itself differently than does commercial profit. Political and commercial activities take place within the same society, and involve interactions and relationships among the same people. It is thus meaningful to speak of entangled systems of political economy and their properties. It is not, however, meaningful to speak of independent systems of politics and economics, as conveyed by the conventional language that speaks of political intervention into economy because there is no point outside economy from which that intervention can proceed. All that exists are various forms of participation inside society, and with no entity capable of acting on society as a whole. This is the vision of entangled political economy within which politics is a peculiar form of business.

Chapter 1 describes different conceptions of political economy within the history of economic thought. The entangled vision I present here
has its roots in classical political economy, which was largely a political economy of liberty. The emergence of public choice theory around 1960 sought to carry forward the classical orientation using analytical concepts that were in play at that time, and which led to the oft-used signifier Virginia Political Economy (Wagner 2015a). I seek to infuse the classical orientation with some contemporary schemes of thought that were not available to the classical economists or to the founders of Virginia political economy. Chapter 2 contrasts alternative paths toward a theory of political economy, and I describe those paths as additive and entangled. The additive path treats polity and economy as distinct analytical objects, each of which can be usefully analyzed without taking the other into account, and with polity acting on economy to modify economy in some fashion. In contrast, the vision of entangled political economy starts from recognition that society entails extensive commingling among political and economic entities, and with interaction among those entities proceeding through a mix of consent, duress, and force.

Chapter 3 elaborates the idea of systems theory as an analytical framework in which differently constituted enterprises interact within the same society. While economists typically denote an economy as a system, they also typically describe that system as comprising equilibrium among participants. Doing this renders the system mechanical, which leads almost inexorably to a focus on a political economy of control. In contrast, and hearkening back to Ludwig Bertalanffy’s (1968) distinction between robotic and creative systems, I treat human population systems as non-equilibrium systems of creative interaction among participants. Chapter 4 explains that the energy that drives societies forward entails the universal form of people acting to replace situations they desire less with situations they desire more. This universal form, however, can generate a wide variety of specific types of action due to differences in the institutional settings within which people interact. The logic of economizing action becomes the point of entry into a theory of society, recognizing that the social configurations that emerge from interaction among individuals also create a form of downward causation whereby those configurations act upon individuals through influencing the notions of normativity that are in play at any particular moment (Wagner 2010a; Lewis 2012).

Chapter 5 accepts the proposition that competition is a social form that always selects for excellence among competitors, regardless of whether that competition pertains to athletics, politics, or business. The particular qualities that are selected will vary across the forms of competition. Political and commercial competition have both points of similarity and points of difference with respect to the qualities for which competition selects, and with the differences contributing to the morphing from a constitution of
liberty into a constitution of control. Chapter 6 explores the universal problem of economic calculation that is present whenever any conscious choice must be made. Political enterprises must engage in economic calculation just as do commercial enterprises, only they can’t do so directly because political transactions don’t generate the prices necessary both to guide and to evaluate action. In consequence, political calculation must bear a parasitical relationship to economic calculation, in that political action simultaneously uses and degrades the market prices that emerge through market interaction. Consequently, a system of entangled political economy takes on a turbulent and not a placid character. For instance, the financial crisis of 2008 illustrates neither market failure nor governmental failure, but rather is an intelligible product of a highly entangled system of political economy.

Chapter 7 recognizes that all action within a system of entangled political economy has a transactional character. The “art of the deal” (Trump 1987) is central to a theory of entangled political economy. Nearly a century ago, Joseph Schumpeter (1934) explained that entrepreneurship is the locus of leadership in a capitalist society. Commercial activity occupied most of the foreground of the human drama, with political activity residing largely in the background. That was a century ago. Now, new social forms have evolved where politically connected figures have moved increasingly from the background of managing the stage into the foreground as participants in what is, after all, a self-generated drama. Chapter 8 makes a modest shift from an explanatory to a normative focus centered on the necessity of people living well together in relatively closed geographical spaces. While the organizing narrative of this book stems from my effort to explain how an entangled political economy can generate its own momentum to transform a constitution of liberty into a constitution of control, this chapter explores whether this morphing is capable of being reversed or is an inescapable product of an entangled system of political economy. We may grant that eternal vigilance is the price of liberty, and yet we must also recognize that many people might regard that price as being too high to be willing to pay it.

I used earlier versions of this book as textual material for a graduate class on public choice I taught the fall 2013 and 2014 semesters. It was during my student days at the University of Virginia in the classrooms of James Buchanan and Gordon Tullock that I first encountered the practice of using work currently in progress rather than previously published work as the focal point of classroom exploration. Invariably, I find that collections of advanced graduate students generate interesting insights, observations, and reactions that lead me to revisit and revise my material. I should like to express my appreciation to those students,
even though it would be invidious of me to single out particular ones among them.

I should also like to express my appreciation to the Mercatus Center at George Mason University for sponsoring a workshop on the manuscript on 12–13 February 2015. The comments and observations the participants offered led me to see more clearly what I was seeking to accomplish with this book, while they also helped me to avoid some of the precipices toward which I was verging on occasion. I am particularly grateful to Paul Dragos Aligica for his deft guidance of those two days of discussion, for he displayed a wonderful facility for recognizing when a conversation should move on and when it should linger. Those two days of discussion led to a considerable transformation of the manuscript, due to the advice generously given by Peter Boettke, Roberta Herzberg, Adam Martin, Matthew Mitchell, Claire Morgan, Eileen Norcross, Shruti Rajagopalan, Filippo Sabetti, William Shughart, Randy Simmons, Solomon Stein, Vlad Tarko, Maria Villarreal-Diaz, and Wolf von Laer.