PART I

Rhetoric, Economics, and Problems of Method
Chapter One

The Rhetoric–Economics Connection

Rhetorical Strategies of Economic Analysis

There is nothing new about the connection between rhetoric and economics. Adam Smith, the father of modern economics, taught rhetoric and moral philosophy as well as political economy. David Ricardo, author of *Principles of Political Economy and Taxation* (1817/1996), a still influential defense of free trade, was a skilled parliamentary speaker. Thomas DeQuincey wrote on literature, rhetoric, and economics—in fact, he claimed to have been cured of his opium addiction by reading David Ricardo! Richard Whately, Anglican Archbishop of Dublin, wrote the only significant treatise on rhetorical theory in the nineteenth century and also held a chair in political economy at Oxford.

One way to delve into the connection between rhetoric and economics is to examine economic writing: What does it mean to write a treatise on economics? The writings of Smith, Ricardo, and to some extent even Alfred Marshall read more like a philosophical treatise than a present-day textbook or scholarly paper in economics. Economics originally was taught as part of moral philosophy at Cambridge and gradually developed into a "science," taking on more and more aspects of the scientific method and emphasizing value-free inquiry, heavy use
of mathematics and formal models, the devaluing of history, a belief that knowledge progresses, and so on. But by the 1980s, economists became concerned about their seeming irrelevance to public policy, their inability to talk to the rest of the academy, the general ignorance of history among graduate students in economics, and, perhaps above all, the fact that if economics were really a science it should have developed more consensus by now.

The concern about economics as a discipline was galvanized by Deirdre N. McCloskey in a series of articles and books on the “rhetoric of economics,” beginning in 1983, prior to her sex change operation (Donald McCloskey 1983, 1984, 1985). The notion that McCloskey, a prominent economist—and an economist of the Chicago School no less (the Chicago School being known for its scientism)—would be mucking around not just with the humanities, but with the oldest and least respectable part of the humanities, was something of a succès de scandale.

As McCloskey’s work has developed, however, it is apparent that she is far more willing to let rhetoric trump the scientific pretensions of rational choice theory than to let any doubt be cast on the virtues of the free market. McCloskey has neglected the institutional foundations of economic inquiry. She frequently criticizes the “angry and distracted people of the academy” but never acknowledges in her writings that some economic ideas gain greater visibility because powerful persons and groups pay to make sure they are visible. In Knowledge and Persuasion in Economics, she combines Habermas’s insights into communicative ethics with her view of rhetoric, proposing a Sprachethik (ethics of speech): “Don’t lie; pay attention; don’t sneer; cooperate; don’t shout; let other people talk; be open-minded; explain yourself when asked; don’t resort to violence or conspiracy in aid of your ideas. These are the rules adopted by joining a good conversation” (McCloskey 1994: 99).

But who pays for the room? For the transportation of the conversation partners? Such questions commit the sin of motivism, but they are not idle ones in the “angry and distracted” academic marketplace. As noted earlier, thanks to the National Committee for Responsive Philanthropy, we are now getting a clearer picture of who pays for the room. The NCRP’s 1997 report (authored by Sally Covington) detailed how twelve foundations, including the Olin and Scaife founda-
tions, contributed $210 million between 1995 and 1997 to create con-
servative academic programs at such esteemed institutions as the
University of Chicago, Harvard, George Mason, Yale, and Claremont
McKenna.6

These foundations also paid to support certain conservative re-
gional and Washington-based think tanks that coordinate their policy
agendas. The website of the regional “Heartland Institute” lists nearly
150 of these organizations, many devoted to coordinating an assault
on public education and public support for the poor, homeless, and
handicapped (see http://www.heartland.org).7

The foundations and think tanks also paid “public intellectuals”
for their output. Dinesh D’Souza received a fellowship through the
American Enterprise Institute, for example, and Robert Bork received
one through the Heritage Foundation. Many influential books, from
Christina Hoff Summers’s Who Stole Feminism? (1994) to Richard
Herrnstein and Charles Murray’s The Bell Curve (1994), have been
funded by right-wing foundations. Journals such as First Things (de-
voted to promoting political and theological conservatism) and The
New Criterion (devoted to a defense of high modernism in the arts and
an assault on new approaches to arts and humanities education) have
received hundreds of thousands of dollars of start-up money and con-
tinuing support from the same foundations. To be fair, centrist and lib-
eral think tanks also support academic scholarship, but they do not co-
ordinate their public policy agendas as successfully as the right-wing
groups do.

Particularly threatening to academic freedom is the foundations’
willfulness to pay students to take classes in law and economics,
courses that inevitably promote a party line on the role of markets in
solving all social problems. UCLA actually canceled such a program
because administrators believed it unfairly exploited the financial
need of students for ideological ends—a cancellation that received vir-

An example of the sort of research such centers promote can be
found in the website for the Private Enterprise Research Center at
Texas A&M University.8 The center was founded as part of a man-
date from the Texas Senate in 1978 requiring education in the free-
enterprise system in the public schools of Texas. The center issues
working papers and press releases on such questions as executive
compensation, the privatization of public lands, unionization, and the minimum wage, all from a radical libertarian economic perspective; it has close ties to the Olin-funded American Enterprise Institute.

The draft description of the economic component of the curriculum for the master’s degree in public administration at the new George Bush School of Government and Public Service displayed a similar bias. The course in economic analysis is to be taught as two-thirds microeconomic analysis (itself an ideological choice), and “it is argued” (the passive voice, naturally) “that the government has a potential role [in the economy] when (i) property rights are ill-defined, and (ii) markets are not competitive.”9

Not long after I wrote the first draft of this chapter, I found myself embroiled in a controversy at the Bush School. In October 1998 I received a telephone call from a political reporter at the Dallas Morning News, who asked me if I would be willing to comment on the gubernatorial debate between Democrat Gerry Mauro and Republican incumbent George W. Bush. Since I teach courses in argumentation and debate, I believed I was competent to make some observations. I told the reporter that neither candidate made any glaring mistakes, that Governor Bush looked presidential and that he was an excellent public speaker, unlike his father, whose rhetorical skills I characterized as “inept.”

I found out a month later that my comments had angered someone in the Bush family. The full story emerged only in July 1999 when an intrepid local reporter named John Kirsch uncovered a series of Bush School memos through a Freedom of Information Act request. Dale Laine, a top aide to Governor Bush, complained directly to the head of the Bush School about my comments. The director of the school drafted guidelines prohibiting professors from claiming an affiliation with the Bush School when offering opinions or “undocumented material” about the Bush family. In a later interview Mr. Laine denied he was trying to stifle my academic freedom, but was merely accusing me of offering only a personal opinion not grounded in a “scientific” study. The only reason I even made the comment about former President Bush’s rhetorical difficulties was that he had made the point himself in a public presentation at Texas A&M in the fall of 1997. President Bush disparaged his own
rhetorical skills, contending that it is more important for a president to have managerial abilities.

It turned out that I was not the only faculty member with a Bush School connection who had been the victim of attempted intimidation by the governor’s aids. George Edwards, who holds an endowed chair in political science, also was criticized for having projected Republican Senator Bob Dole’s loss in the 1996 presidential election. Neither Edwards nor I really suffered any direct injury, but I experienced a few sleepless nights wondering if I had injured the reputation of my department. Thus far, articles about political influence in the Bush School have appeared in local Texas papers, the Associated Press wire, the *Chronicle of Higher Education, Editor and Publisher*, the *Nation*, and *Lingua Franca* (see Soskis 2000). Sources at the Bush School who wish to remain anonymous have confirmed that Governor Bush himself was involved in the efforts to regulate professorial speech. The irony is that if I were a conservative academic who had received similar treatment from a Democratic governor, I would have become a poster child for “political correctness.”

Another disturbing trend is the pervasiveness of direct corporate influence on universities. Changes in patent law and tax law in the early 1980s permitted greater corporate contributions to universities in exchange for the right to purchase the results of university research. Corporations were thus able to shift part of their research and development costs to universities at a time when the college work–study program was cut by 26.5 percent (after adjusting for inflation), tuition rates at public universities increased 170 percent, and the funding of meritorious proposals before the National Institutes of Health (NIH) dropped from 50 percent to 20 percent (Soley 1995: 9–10).

Professors who largely turned a blind eye to the gutting of U.S. labor law under the Reagan-appointed National Labor Relations Board (NLRB) and the unwillingness of President Clinton to address the issue of labor law reform while he had Democratic majorities in both houses of Congress now find themselves in a position comparable to that of industrial workers in the early 1980s. The assault on tenure as well as the pressure to quantify educational outcomes and increase teaching loads are part of the same triumph of the market that, as Habermas (1991) writes, blinds itself to every value that cannot be expressed in the form of a price (32).
THE PRINCIPLES OF RATIONAL CHOICE

Economics rests on “microfoundations”: *Homo economicus*, the rational actor calculating utility in the given case. Arjo Klamer and Donald McCloskey (1988) write that the “rational choice model is the master metaphor, enticing one to think ‘as if’ people really made decisions in this way” (14). Methodological individualism and rational choice have been transposed from the theory of pricing in microeconomics to economics as a whole, and thence to sociology, political science, and law. Under the various labels of rational choice, social choice, public choice, and law-and-economics, this view of human reasoning has settled into major law schools and university departments (although not without some subsidization from right-wing foundations). It has even spawned a school of rational choice Marxism, of whom the outstanding practitioners are Erik Olin Wright (1985), Jon Elster (1985), and G. A. Cohen (1978).

The economic analysis of human behavior derives from a basic definition of human behavior as “involving participants who maximize their utility from a stable set of preferences and accumulate an optimal amount of information and other inputs in a variety of markets” (Becker 1976: 14). People weigh costs and benefits based on their subjective tastes and their available information.

The first principle of rational choice is that a rise in price reduces quantity demanded. If stuff costs more, people tend to want less of it. This in turn implies the second principle: a rise in price increases the quantity supplied. If people buy widgets and shortages appear, the price of widgets goes up, and this serves as an incentive for suppliers to enter the market and provide more widgets. Note that these laws do not just work in cases of explicit prices; they also work with “shadow prices,” such as the relative costs and benefits of crime to a criminal, or relative grades between two sections of the same college course. More precisely, “Even without a market sector . . . each commodity has a relevant marginal ‘shadow’ price, namely, the time required to produce a unit change in that commodity” (Becker 1976: 6).

It is easy to observe relationships—such as the one between supply and demand—using two variables. You can not only manipulate changes in the variables easily but also derive from them more complex ideas, such as “consumer surplus” (the area under the demand curve and above the price), “indifference curves” (bundles of goods to
which the consumer is equally indifferent), and so on. Most important, you can derive policy conclusions about the “real world” elegantly and efficiently. Want to know what a government-mandated increase in the minimum wage will do? Simply raise the price of labor and see what happens: Voila! The demand drops, putting people out of work. (This assumes that the demand for labor is “elastic,” that is, it responds to changes in price. In some businesses, perhaps most notably the restaurant business, demand for labor is relatively inelastic.)

Rational choice principles have been used to justify capital punishment on the grounds that the existence of capital punishment increases the shadow price of murder (Ehrlich 1975). The usual objection to this argument is that murder is not committed by the “rational actor” implicit in the theory (see Bedau 1982). The response is that rational action is not the same as conscious calculation; further, even if the deranged murderer is not deterred by the death penalty, another potential murderer might be. More important, Ehrlich did no sociological or psychological research on the communicative impact of the death penalty. He created a “toy economy,” based on the applied theory of price, and crunched the numbers. The resulting “seven lives saved for every execution” argument was widely used in the rush to reinstitute death penalties during the late 1970s.

A third principle of rational choice is that resources tend to gravitate toward their most valuable uses if voluntary exchange is permitted. The opportunity for profit is a magnet that draws resources into an activity. If the “magnet doesn’t work, the economist takes this as a sign not that people are dumb or have weird tastes or have ceased to be rational maximizers but that there are barriers to the free flow of resources. The barrier could be high information costs, externalities, inherent scarcities” (Posner 1992a: 11).

But, if the magnet is working—resources are being used where they are valued most highly—resources are being used efficiently. “Efficiency” is a great devil term among opponents of law-and-economics, immediately conjuring up the worst of Dickensian nightmares. The “pervasive realism” of the applied theory of price is unlikely to be persuasive for the general public, which explains the tendency for other systems of norms—anticommunism, conservative Christianity—to develop alongside it. Posner notes that efficiency is not the only “worthwhile criterion” of social choice, but he is certainly accurate in his assessment that most people would agree that it is an important one.
Fourth, although economists would not put the matter quite this way, human communication enters the theory as a process of providing information. Communication generally can be reframed as “transaction,” and the exchange of information can be one part of that transaction. Other parts might be the institutional framework of the transaction or the role of another party—say, an attorney who draws up a contract for the transaction. Communication costs, and the notion of transaction and information costs, are extraordinarily important in widening the scope of the economic framework.

To summarize, the messages inherent in economic analysis of human behavior are the following: (1) people respond to incentives; (2) there is an inverse relationship between price and quantity demanded; (3) efficiency defined in terms of wealth maximization is a useful standard for evaluating public policy; and (4) information and transaction costs must be considered when analyzing human behavior and policy outcomes.

**Problems with Rational Choice**

The student usually encounters rational choice theory in Economics 101, and if the teacher is skillful, the student quickly learns that the “rat choice” is surprisingly applicable to all sorts of human behavior. It has an inherent formal, rhetorical appeal for two reasons: (1) it has that characteristic that Kenneth Burke (1968) referred to as the “syllogistic form,” in which a text appeals to a reader simply because it ties up all the loose ends, much as the classic mystery story does (124); and (2) it taps into the student’s capacity for irony.

There are literally hundreds of interesting rational choice explanations (from why popcorn costs so much at the movie theater to why the custom of giving engagement rings developed), but economists typically do not test them empirically. The economist’s equivalent of the magician’s “abracadabra” is the Latin phrase *ceteris paribus*—“everything else being equal.” You can always escape empirical exceptions to a rational choice prediction simply by claiming that the exceptions reflect some slight (but critical) variation in the nature of the producer, commodity, or consumer, thus not invalidating the general applicability of the prediction. Political scientists Donald P. Green and Ian Shapiro (1994) have documented the startlingly small amount of empirical success that rational choice theory has had in political sci-
ence. To select the most obvious example, if rational choice theory were universally true, no one would vote, since the possibility of altering an election outcome with a single vote is infinitesimally small. The attempt to “solve” the election outcome problem with rational choice explanation has generated an enormous literature, probably the largest of any aspect of rational choice scholarship (Green and Shapiro 1994: 47–71).

Another problem with rational choice theory, perhaps related to the commonsense public view that it misses some essential aspects of the human person, is that it cannot account for the emergence of social norms or for various kinds of path dependency. If rational choice theory is correct, then in the absence of evil things such as government intervention there should always be efficient, wealth-maximizing outcomes. Yet, there are several counterexamples of certain products or practices being “locked in” (as de facto monopolies) simply because they were the first to come along or because they were able to grab a large market share very quickly, owing to some unique circumstance. Among the most widely cited examples is the “qwerty” layout for typewriters and computer keyboards. It appears that the layout, which is difficult for some to learn, was originally created to lessen the frequency of jamming under a strictly alphabetical arrangement. That is, the earliest typewriters, which utilized an a-to-z arrangement, tended to jam frequently, given the underlying mechanics of the machine. By placing the most frequently used letters under and near the strongest fingers (third and index fingers) in the “home” position, and encouraging the use of all the fingers in typing, the most effective speed and least jamming could be effected (Krugman 1994: 221–224; for criticism of the example, see Liebowitz and Margolis 1990). Other examples are the settled victory of VHS videotape technology over Beta, and the ongoing dominance of Microsoft Windows technology over Apple’s more “user-friendly” approach. In both cases, an essentially inferior product has driven out a superior one simply because it captured a large market share early on in the competition (in these cases, as a result of quirky corporate decisions—that is, Sony’s initial decision not to license Beta technology and IBM’s decision to license its PC operating systems from Microsoft).

The primary problem is that rational choice cannot account for the development of social norms. Some social norms may emerge for purely utilitarian cost–benefit reasons; for example, Pentecostal Christianity may be growing more rapidly than Roman Catholicism in Latin
America because of the positive externalities it creates for women (a male Pentecostalist perhaps being more likely to hold a job or be faithful in marriage). And yet rational choice theory cannot explain why a particular form of religion develops in the first place. Why Pentecostalism and not Calvinism? Why not Islam? How do we account for the dramatic decrease in cigarette smoking by African Americans in recent years? Cass Sunstein (1997) maintains that it is largely attributable to a highly successful advertising campaign that included the message: “They used to make us pick it; now they want us to smoke it.” The strategic aspect of that campaign, as well as the heightened norm of nonsmoking in the Black community, simply cannot be explained in rational choice terms alone (32–69).

When the question of social norms emerges, the significance of rhetoric and communication emerges as well, for the role of things like epideictic oratory in shaping and reinforcing community norms, as well as the role of strategic persuasion in public life, now have a place even in the analysis of economic behavior. Simply reducing communication to the exchange of information fails to account for attitude and behavior change, and also fails to account for the persuasiveness of the theory itself. In addition to those loci identified by previous scholars, I would argue that a largely unexamined locus in policy argument consists of a representation of an ideal set of communicative practices that govern information gathering and argument about values and outcomes. This locus of good communication serves as a resource for condemning opponents and for valorizing particular cultural constructions of argument, evidence, emotion, and authority. The strains in a given rhetorical idiom often appear more clearly when the locus of good communication is examined.

However useful the economic analysis of human behavior may be in some settings, we have good reason to believe that it may be misleading in guiding public policy. The following case studies examine the application of economic methods to three essentially political issues, and in all three cases, I argue, the use of economic terminology involves more a deflection than a reflection of reality.

**Case Study 1: The Minimum Wage**

A. O. Hirschman (1991) identifies certain characteristic patterns in the arguments of conservatives against change, from Edmund Burke
down to Milton Friedman: conservatives habitually argue that good intentions lead to perverse consequences, that efforts at solving social problems through public policy are inevitably futile, and that large-scale efforts at reform jeopardize existing liberties.

First, the perversity thesis: “The attempt to push society in a certain direction will result in its moving all right, but in the opposite direction” (Hirschman 1991: 11). Charles Murray (1994), for instance, “proves” that spending money to eliminate poverty in the 1960s actually increased poverty. Hirschman demonstrates that: (1) this thesis is not universally true—change sometimes does occur in the direction intended, and there are even unintended positive consequences of social change; (2) it serves a psychological function for its adherents (“Could they be embracing the perverse effect for the express purpose of feeling good about themselves? Are they not being unduly arrogant when they are portraying ordinary humans as groping in the dark, while in contrast they themselves are made to look so remarkably perspicacious?”); and (3) it has its appeal because it is grounded in the mythic notion of divine punishment for sin and in the Greek hubris–nemesis pattern (35–42).

The futility thesis—the notion that social change simply does not work as expected—is a popular conservative argument (even if it contradicts the perversity thesis that usually accompanies it). Hirschman points out that conservatives usually make this point “with a certain worldly-wise wit as opposed to the alleged earnestness and humorlessness of the believers in progress” (45).

The futility thesis turns on metaphors about masks and veils, holding out the promise of a final recognition scene in which all is revealed (Hirschman 1991: 80). The problem, of course, is that such a promise again relies on the omnipotent wisdom of a class of experts against the alleged stupidity of the masses. Not only is such an assumption arrogant, but it violates its own norms. In other words, it proclaims that people and social systems cannot learn which policies work—presumably even from learning the futility thesis. Although Hirschman does not discuss the mythological or theological roots of the futility thesis, I would argue that it is strongly rooted in the Christian concept of original sin, a thesis that was put to effective ideological use by U.S. Protestant theologian Reinhold Niebuhr in defense of the Cold War (see Aune 1996).

There is, finally, the jeopardy thesis, the idea that continuing to move forward will jeopardize previous accomplishments. For instance,
it is commonly asserted that the federal government’s initiatives for
greater equality among states’ residents nationwide will jeopardize
hard-won civil liberties. The world, of course, is more complex than
that. Hirschman makes the interesting point that the welfare state
came earlier to Germany precisely because it had no strong liberal tra-
dition, thus preventing the marshaling of liberal jeopardy arguments,
as in the United States and Britain (1991: 132).

During 1995 and 1996, a debate arose over minimum-wage legis-
lation in the United States in which the perversity argument was
demed not sufficiently persuasive to overturn popular support for a
minimum wage increase. I examined a sample of academic and popular
arguments about the proposed increase that I found in the ABI/Inform
index of business periodicals, and attempted to locate recurring pat-
terns on both sides.

Hirschman (1991) writes: “In economics, more than in the other
social and political sciences, the perverse-effect doctrine is closely tied
to a central tenet of the discipline: the idea of a self-regulating market.
To the extent that this idea is dominant, any public policy aiming to
change market outcomes, such as prices or wages, automatically be-
comes noxious interference with beneficent equilibrating processes”
(27). According to Milton Friedman (1982), the standard libertarian
argument states that “Minimum wage laws are about as clear a case as
one can find of a measure the effects of which are precisely the oppo-
site of those intended by the men of good will who support it” (180).
This argument assumes the existence of only two variables at any
given time in the labor market, and also assumes a short-term window
of analysis. There is virtually never any effort by minimum-wage oppo-
nents to argue against the analysis of proponents, other than to ques-
tion the design of some of the empirical studies.

The standard economic arguments in favor of a higher minimum
wage are that (1) increasing it may cause underlying supply and de-
mand curves to shift and (2) a higher minimum wage may also
increase productivity, thus boosting profits and employment (see
Hirschman 1991: 28). I would add, using the law-and-economics con-
cept of “signaling,” that (3) the minimum-wage gauge provides useful
“information” to employers as a group about the relative strength of la-
bor and of popular discontent about business practices, thereby fore-
stalling more radical redistributionist threats, and that (4) there is em-
pirical evidence from the 1990 and 1991 wage hikes that appears to
refute the perversity thesis (see Card and Krueger 1995; also Spriggs and Klein 1994).

The relative weakness of the case against a higher minimum wage is revealed in the lack of responsiveness to the key arguments in favor of it. The following are all the arguments against the minimum wage that I found in my survey:

1. The minimum wage reduces work opportunities for those who need them most (Verdisco and Cain 1996).
2. Organized labor is being demagogic by going directly to the voters to appeal for a minimum-wage increase (Coryman 1996).
3. It is an insult to U.S. business and industry to say that managers are not honest or caring enough to pay workers a fair salary without a government mandate (Nozar 1996).
4. The restaurant industry is especially hard-hit whenever the minimum wage is increased (Van Warner 1996). (Perhaps that is why Congress also passed $7 billion in tax relief for the food services industry at the same time that it passed the 1996 minimum-wage law.)
5. Most minimum-wage work is simply not worth even the minimum wage (Norton 1996).
7. Any minimum-wage increase creates a slippery slope that hastens the day when the government sets prices as well (Kenney 1995).
8. More serious arguments, such as whether minimum-wage increases are the most efficient means of income redistribution as compared to the earned-income tax credit, appeared in a few places but were not addressed to popular audiences, perhaps because the credit had fallen under the congressional budget ax and because any defense of income redistribution is not “economically correct” (see Niskanen 1995).

The locus of perversity, then, dominates on the libertarian side of the debate. Opponents wisely recognized that, if they could at least create some doubt about the iron-clad certainty of the economic argu-
ments, the sheer appeal of the proposal to audiences concerned about stagnating incomes made the Republican position vulnerable.

Another feature of libertarian economic argument is its tendency to avoid any but the most sweeping sorts of historical arguments. Hirschman demonstrates persuasively that the perversity arguments were first used to criticize the Poor Laws in England in the early nineteenth century. The Poor Laws helped ensure social peace and sustained food production during the Napoleonic Wars, but afterward the new political economy of Bentham, Malthus, and Ricardo argued for deterring the poor from public assistance by “imprisoning [them] in workhouses, compelling them to wear special garb, separating them from their families, cutting them off from communication from the poor outside and, when they died, permitting their bodies to be disposed of for medical experimentation” (Hirschman 1991: 30).

The argument from perversity proposes an implicit view of human action as a sort of hyperactive information-seeking in an extremely volatile environment. Every move may generate a perverse (but never beneficial) countermove—hence, the tendency toward unintended (but always negative) consequences. Taken to its ultimate extreme, the perversity argument would entail a rejection of all planning, even by private industry, leading either to paralysis or a series of equally perverse leaps of faith, which a few defenders of the Schumpeterian view of capitalism as “creative destruction” have actually advocated.

**Case Study 2: The Farm Crisis**

For those of us who live in small towns or rural areas, the 1980s were a time of devastation, as thousands of “marginal” producers across the United States were forced off the land. Just as Stalin reminded the Russian people that you can’t make an omelet without breaking eggs, or the Communist Party generally exorted its flock to take the “long view,” the free market agricultural economists magically wave away human suffering by appealing to the logic of economic history.

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The book, edited by Donald N. McCloskey, designed for undergraduate courses in economics and economic history, is published by Oxford University Press; however, the writing was financed and the book’s publication was “arranged” by the Manhattan Institute, a conservative think tank based in New York City.

The introduction to the volume frames the essays by saying: (1) in this book, leading historians “show that commonly accepted wisdom about our economic past is often wrong, and therefore misleading” (3); (2) both big government and big science need to learn from history that social engineering never works—at least in accomplishing its intended ends; and (3) economics is above all a way of thinking, one that enables us to tell coherent and useful stories about the world.

Alston’s essay makes the case that government action to solve the farm crisis of the 1980s was doomed to failure. This cautionary tale begins during World War I, when farm prices had increased dramatically during what some have referred to as the “golden age” of U.S. agriculture. Prices were high both because of increased demand and because the European countries’ agricultural production had been curtailed by the war. The high prices created an incentive for farmers to bring less-productive land into cultivation. In July 1920 the “agricultural party” ended. By 1921, prices had fallen 30 percent; by 1932, they had fallen another 50 percent. Drought and insects (most notably the boll weevil in the South) also created problems for farmers.

Starting in 1928, farmers sought help from the government. Although President Calvin Coolidge vetoed a price-support measure passed by Congress in 1928, successor Herbert Hoover expanded the role of the federal government in the agricultural economy. The Farm Board was empowered to support prices by offering loans to farmers and permitting them to use future crops as collateral. Farmers would repay the loans if prices were high; if prices fell below the loan price, the farmers would give their crops to the government. Although the Farm Board’s policies probably moderated the price slide, the agency had exhausted its funds by 1931.

After his election as president in 1932, Franklin D. Roosevelt adopted two policies to relieve farm distress: price supports and the renegotiation of credit terms. During the New Deal years, “rental and price-support payments made up as much as one-third of the income of some participating farmers” (Alston 1993: 53). States also built on fed-
eral effort by passing moratoria on farm foreclosures (twenty-five states did so between 1932 and 1934). Annual farm failures fell by half (from 4 percent to 2 percent), but bankers soon compensated for the inability to foreclose by raising interest rates. Consumers also paid higher prices for clothes and food.

Alston quickly cuts to the 1980s, when farms failed at the highest rates since the end of the Great Depression. During the inflationary 1970s farmers had entered “a bidding frenzy for land.” The secretary of agriculture encouraged farmers to plant “fence row to fence row,” anticipating continued high prices into the 1980s. But when “crop prices began to fall in 1980, troubles began.” (Later, Alston blames the decrease in crop prices on the inflationary monetary and fiscal policy of the 1970s.) Farmers were able to obtain a moratorium on foreclosures in Iowa. In 1986, subsidies still represented one-third of farm income. The Farm Credit System still gave loans to farmers on unusually generous terms, compared with private banks. According to Alston, all this largesse goes to 2 million farmers, roughly 1 percent of the population, and the rest of the country pays for it: some $5 billion extra per year for agricultural goods (as of the early 1990s).

Alston then asks, what would happen if agricultural prices actually were allowed to be guided by the market? Farmers or their offspring would have to move to, say, Chicago and learn a new career, the way “steelworkers in Pittsburgh managed to do over the past decade.” There would be trauma, to be sure, but it would reduce (albeit only by a small amount) the food costs of “being a poor parent . . . feeding a family in the Chicago slums.” The cheapest and best thing to do would be to allow small family farmers to go out of business, just as we do other small businesses in this country, when they “cannot make it in the marketplace” (54–55).

Alston presents a number of positive benefits to introducing a free market in agriculture. He asserts (without evidence) that: (1) Capital requirements for entry into agriculture would fall, thus benefiting the small farmer; (2) even if corporate farming were to increase, the result would be greater productivity; (3) in the past, farming was efficient in small units because it made monitoring shirkers more practicable—but this is no longer necessary, given increased mechanization and standardization of agricultural production; and (4) comparatively inefficient farmers would have an incentive to diversify their holdings, and we would finally view farms simply as business ventures.
Simple, huh? The rhetorical appeal of Alston’s cautionary tale is that of “economic” analysis generally. It reduces social complexity to a few simple principles: the inexorable law of supply and demand, the perfidiousness of government intervention, the glorious and open future promised by the elimination of government intervention. It also is appealing to intellectuals because it relies on irony as a mode of explanation: human actions may have perverse effects, especially in cases of social engineering. Using the *topos* (theme) of perverse effects enables the shrewd economist to wave away with a world-weary look any effort at interfering with the market. This makes the economist appear to have both worldly wisdom and a sense of humor, two characteristics often lacking in political radicals, who seem to be angry all the time.

A secondary use of irony is present in the economist’s attack on the U.S. myth of the sturdy yeoman farmer and his virtues. Just as Richard Hofstadter attacked agrarian populism in the 1950s as a form of the “paranoid style,” Alston appeals to the more cosmopolitan academic’s sense that everybody living more than a stone’s throw from the coasts is some sort of hick. Actually, the story may be more analogous to that depicted on the television show *Green Acres*, in which the rural hick, Mr. Haney, consistently fools the more cosmopolitan Mr. Douglas, who has made the mistake of romanticizing rural life and has ditched his successful job in Manhattan.

It is not clear, however, that even conventional economic analysis necessarily tells the same story that Alston does. The most disturbing thing about Alston’s argument, from an ethical standpoint, is that there is simply no acknowledgment that competing economic explanations exist or that a reasonable person might differ with his policy prescriptions. It is tempting to ask whether the Manhattan Institute would have paid him to write the essay if he had dealt with competing arguments. One also wonders why the academic world is unable to deliver these arguments to readers without a subsidy from a think tank funded by the very rich.

From a strictly economic standpoint, there are several responses to Alston’s arguments:

1. The price elasticity of demand for agricultural products is lower than for other commodities. In other words, consumer demand is not affected by price as much as with other commodities. People need to eat, both in good times and bad.
2. When productivity increases, farm income falls. One does poorly by doing well, as David Colander (1995) puts it. The supply curve shifts outward in the inelastic range of the demand curve (746).

3. Consumers—especially the poor woman in the Chicago slums who tugs at our heartstrings in Alston’s narrative—are hardly worse off today than they were when farm subsidies began. When Herbert Hoover ran for reelection in 1932, he promised “two chickens in every pot.” In today’s money, chicken back then would have cost $8 a pound (Colander 1995: 746)—a huge testament to farming productivity over the years.

4. Although producers in other industries can coordinate production, even without cartels, there are still too many farmers to coordinate production easily. Weather and other natural forces also make farming more unpredictable than other industries.

5. Given the realities of the agricultural markets, it is unclear that a purely competitive solution is practical. Without government programs there would be considerable incentive to form (de facto) cartels. As Colander notes, today agriculture in the United States might be controlled by four or five major firms. Agricultural prices might be higher. Agricultural production might be lower.

I have to add here that Colander is no wild-eyed radical; his textbook covers in considerable detail the same points Alston does in his essay, noting additionally that the extraordinary productivity of U.S. agriculture may stem in part from its immunity from occupational safety and health legislation. The accidental death rate for farmers is much higher than the national average for other workers. Farmers work hard and skimp on safety measures. If agriculture became solely a big-business operation, there would be additional clamor for regulation—although not, of course, in Alston’s and McCloskey’s perfect world.

In short, if you analyze Alston’s essay as a piece of rhetoric, a set of strategic choices conveyed via a variety of means of persuasion, and intended for a particular audience, you can make a case for the following conclusions: (1) The essay invites the reader to look at the world in a particular way, as a particular kind of person: one who sees
through appearance to the enduring wellsprings of human conduct. One becomes an older, wiser person by taking on the role prescribed by the rhetor. No longer surprised by anything except perhaps the bounty of the unrestrained market, the reader is presented with a sort of cheery reassurance that the world does, after all, make sense.

(2) This implied contract between the rhetor and the reader is largely fulfilled through the skillful selection of narrative detail and the omniscient attitude of the narrator. Alternative explanations of the 1980s farm crisis are simply ignored. The characters in the narrative—the farmer, the government, the hapless consumer, the godlike narrator—are fairly rounded and interesting. Since the reader of the narrative is likely to be a consumer, the clear identification of the narrator’s interests with the consumer’s is a wise choice.¹²

Strangely enough, if taken seriously as a prescription for policy, the essay contradicts its own premises. A sudden end of government price supports and credit control would be the most dramatic form of social engineering since the early days of the New Deal (or the Federal Reserve-engineered recession of 1980). Radical free-market thought here, as in so many other ways, is like a perverse mirror image of communism: the problem of the “transition” is undertheorized. Not only is it not clear how we might get from our current “statism” to the totally unregulated economy, but it is extremely likely that the immediate social consequences would be devastating, perhaps even more so than in the 1980s. Only a leader with the political will of a Stalin would be able to keep the social fabric together during years of radical dislocation that would ensue. As I argue later, in Chapter 6, there is a deep sense in which radical libertarianism requires antidemocratic measures—a dictatorship of the bourgeoisie—to implement its proposals in the teeth of popular resistance.

I am not saying that the economic analysis is inseparable from the rhetorical analysis, a charge made by more radical rhetoricians as well as critics of the rhetorical turn such as Richard Posner. What I am arguing is that Alston does not fulfill the minimum standards required for open and honest inquiry into an important social issue, that his essay is tainted by its funding source, and that the putatively scientific analysis rests on specific strategic choices to suppress certain arguments (through sheer inattention) and bring selected others into clearer focus for the reader.
As with the minimum wage or agricultural price supports, it is an article of faith among free-market economists that unions are a bad thing. The standard positive economic analysis of trade unions includes the following arguments:

1. There is a “market” for labor, just as there is a market for hogs or steel.
2. Unions are a monopolistic interference with the labor market, raising the price of labor higher than the free-market price.
3. Unions thus prevent the efficient use of resources, decreasing productivity and the overall health of their industry and the economy as a whole.
4. They cause unemployment because of their wage effects.
5. From a normative standpoint, especially when supported by the coercive power of the state, unions undermine the value of individual responsibility, because wages are bargained for collectively rather than determined by merit.
6. Unions interfere with the individual liberty of both employer and worker.

This case study examines the analysis of unions by Milton and Rose Friedman in *Free to Choose* (1980) and by Richard Posner in *The Economic Analysis of Law* (1992a). The essential form of the arguments by the Friedmans and Posner against labor unions is “quasi-logical,” to use Perelman’s term:

**Major premise:** The higher the price of anything, the less of it people will be willing to buy.

**Minor premise:** Labor unions raise the price of labor.

**Conclusion:** Employers will hire fewer workers.

A corollary argument is that labor unions directly influence the supply of labor in other job markets. Unions increase the cost of labor in the union sector of the economy. Since fewer workers are now employed in the union sector, there is a labor surplus in the nonunion sector of the economy, a surplus that translates into lower wages for nonunion workers. Unions are simply a form of licensing: they restrict
entry into the field. The rhetorical appeal of licensing is that it is supposedly designed to protect customers, but the customers are not the ones who lobby legislators for licensing standards. The restriction of entry created by union licensing creates high wages (Friedman and Friedman 1980: 229).

A further strategy is what Perelman calls the argument by contradiction and irony: "to assert a proposition and its negation within one and the same system, bringing out a contradiction which the system contains," making "the system inconsistent and thereby unusable" (Perelman and Olbrechts-Tyteca 1969: 125). The Friedmans point to abuse by union leaders, particularly misuse and misappropriation of union funds; they warn against the automatic equating of the interests of labor union members with the interests of labor as a whole; they point out that unions claim to protect the low-paid worker but actually they serve highly skilled laborers who would be highly paid anyway; finally, they cite the example of airline pilots, who received an annual salary (for a three-day week) of $50,000 in 1976 “even though the skills and responsibilities they have do not warrant their level of pay” (Friedman and Friedman 1980: 222).13

Unions also favor a higher minimum wage to protect union members from competition; the higher wage effectively discriminates against people with low skills, especially teenagers. The Friedmans compare the rate of unemployment of teenagers in the 1950s with the rate in 1979; they compare the minimum wage then and now and conclude that there must be a causal relationship. In the article survey described earlier, on minimum-wage legislation in 1995–1996, it was a common strategy for opponents of the minimum wage to play their version of the “race card,” claiming that minority youth were the chief victims of such legislation.

More serious from an ethical standpoint is that the Friedmans (and this is true of accounts by free market labor economists generally) fail to anticipate any objections from the other side. Even Friedrich Hayek (1960), certainly no friend of unions, contended that they are useful in arriving at a satisfactory wage structure in a hierarchical organization, in designing effective work rules, and in providing support to workers’ families in times of distress (276–277).

There are a number of possible defenses of labor unions from a strictly economic standpoint. Freeman and Medoff (1984), for example, argue that they promote efficiency in the long run by giving work-
ers a voice in the workplace and in politics as well. They also promote the retention of skills (the sort of “tacit knowledge” Hayek was fond of describing) and help disseminate information in the workplace. They reduce transaction costs for employers, thereby reducing turnover.

The Friedmans’ critique of unions relies on very little empirical observation or analysis of the impact of unionization in particular industries. A recent study reports that, in the United States, bosses in union-free firms earn 20 percent more than those in similar firms that are fully unionized. Companies with strong unions employ fewer managers. Outside of the United States, the effect is even greater: evidence from twelve industrialized countries indicates that bosses in nonunion firms earn up to five times more than those in union firms. Thus, it may well be that the impact of unions is not only on consumers and employees but also on managers (“Who Pays for Unions?” 1998).

From a non-Chicago-school standpoint, as with minimum-wage legislation, it may be argued that union wages increase aggregate demand, thus creating growth in the economy as a whole. From an ethical standpoint, the lessons of solidarity and craftsmanship promoted in unions make the unions useful sources of “human capital.” Finally, it is not clear that “labor” is best treated as a commodity undifferentiated from any other. One of the most radical libertarian theorists, Richard Epstein (1995), contends that academic tenure is necessary because it equalizes relationships between relatively powerless faculty and powerful boards of regents, thus promoting knowledge (169). It is a pity that Epstein and his ilk refuse to understand the need to “equalize” relations in workplaces other than the university.

**Conclusion**

Our three case studies reveal several rhetorical strategies of economic analysis that draw upon the basic principles I described in the first part of the chapter.

**Strategy 1:** Define any object, person, or relationship as a commodity that can be bought or sold.

**Strategy 2:** Rely heavily on quasi-logical and quasi-statistical argument to enhance credibility and a sense of disinterested objectivity.
Strategy 3: Appeal to the reader’s sense of irony by pointing out the inevitable perversity of well-intentioned social programs.

Strategy 4: Appeal to the reader’s sense of moral indignation, equating failure to promote economic growth with condemning the poor to starve.

Strategy 5: Avoid responding to opposing arguments, because to do so would call into question the scientific character of your own argument; in real science, when fundamental questions are settled, only cranks dispute them.

Strategy 6: Leave empirical investigation to the sociologists or historians.

But, as James K. Galbraith (1998a) describes it, the hub of the problem lies in Strategy 1:

We need a rebellion against the metaphor of the labor market—an entity that no one has ever seen, where no one has ever been. . . . Economics needs a rebellion that is almost less against the system under which we live, as against the sources of our complacency about that system. We need a rebellion, not so much against existing market institutions, as against the analytical tyranny of the idea of the market, as it applies to pay. (265–266)