

**PHILOSOPHY,
HISTORY, AND
METHODOLOGY OF
ECONOMICS**

**Economics as Ideology: Keynes, Laski, Hayek,
and the Creation of Contemporary Politics**

Kenneth R. Hoover

Lanham, Maryland: Rowman & Littlefield, 2003 (336 pages)

The ideas of economics shaped the main public ways of thinking about the world in the twentieth century. That is the message of this book, and its conclusions in this regard are similar to other recent studies such as Michael Bernstein's *A Perilous Progress: Economists and Public Purpose in the Twentieth Century*. It is not just that economics teaches how to increase the rate of economic growth or to reduce the level of unemployment. Economics also preaches a morality that offers a basis for judgments on the core institutions of society and the behavior of individuals. It is, as Kenneth Hoover says, a full-fledged ideology—or, as it is perhaps more accurate to say—a religion. Economics is a religion without any god in the hereafter—a secular religion—but the messages of twentieth-century economics nevertheless offered a frame of reference for understanding basic questions of meaning and direction in the world.

Hoover explores the central place of economics in the twentieth century by examining the lives of three leading economic intellectuals. The debates among John Maynard Keynes, Harold Laski, and Friedrich Hayek set the stage for the British welfare and regulatory state from the 1930s onward. Laski was formally a political scientist but also the leading public advocate in the 1930s and 1940s of British socialism of the Fabian sort—favoring the wide nationalization of industry and expansion of state power. Hayek was Austrian by upbringing but moved to the London School of

Economics in 1930 and became the leading protagonist in economic debates with Keynes. (Hayek moved to the University of Chicago in the United States in 1950 and then to Germany in 1962).

Keynes, Laski, and Hayek all rejected traditional religion. Keynes thought that Christianity offered a number of “preposterous” tenets and Laski turned away from his Jewish heritage. Hayek was a lifelong atheist. Like so many others of their time, they looked to economic ideas for their true religion. Hoover writes that Keynes was “a principal actor in the attempt to replace Christianity with a secular ethics based in a kind of intellectualism that was pragmatic and progressive, romantic and idealistic”—in his own life, according to Keynes’s self-assessment, searching for “a new heaven on a new earth.”

Laski, throughout his life, and common to socialists of this manner of thinking, conflated economic arguments with moral arguments. His economic reasoning was analytically confused, and, in fact, he had little affinity for the subject. Laski was attracted to socialism, however, for its ideals of equality and community, values that he could no longer find in traditional religious sources. For Hayek, the tragedy of the twentieth century was that the search for new faiths had infused the devotees of ill-conceived economic theories with a religious zeal. Fascism and socialism were much alike in this respect. As Hoover explains, “Hayek saw them as false gods drawn on two sides of the same coin.”

In “economic morality,” the source of evil in the world is material scarcity. People fight and do other bad things as a result of the class struggle and other conflicts over resources. Thus, for Laski, the urgent moral imperative was to solve the economic problem, and thus to move “from the era of scarcity to the era of abundance.” Once full material prosperity was achieved, Keynes similarly thought that “all the unjust aspects of wealth distribution that serve only to inflate egos can be dispensed with”—sounding in this respect “remarkably like Marx” but without the necessity of violent revolution as the prelude to a new world of peace and harmony.

Hoover labels economics as an ideology but a large number of his descriptive metaphors invoke religion. Laski thought of America as a nation with an “inner conviction” of its “mission to lead the world to righteousness.” Hoover comments that Americans were “faithful to an ideal; and doubtless Christian in inspiration” that Laski hoped might help to bring about “transformative change” in the world.

No one should be fooled. The twentieth century was an era of religious turmoil, often grounded in economic and other secular theologies. The waning of traditional Christian and Jewish faiths set forth new religious forces in the world. In some cases, such as Marxism and fascism, the results were particularly violent and dangerous to society. It was not until the end of the twentieth century that large numbers of intellectuals, partly in horrified reaction to the events of the century, began to turn back to earlier faith traditions.

Hoover’s decision to portray the lives of Keynes, Laski, and Hayek as a way of developing this twentieth-century history works well. Keynes taught at Cambridge

University and was a frequent visitor to London as a leading advisor to the British government. Laski, like Hayek, taught for many years at the London School of Economics. The three knew one another well, and Hoover leavens his explanations of their economic disagreements with numerous stories from their personal lives. A political scientist himself, Hoover explains well the economic theories of the three principal actors and how their academic controversies had important consequences for the rest of the world. Keynes was the architect of the Bretton Woods agreements in 1944, which created the World Bank, the International Monetary Fund, and the wider framework for the rise of a globally integrated economy. Keynesianism became the economic orthodoxy of the United States and Britain in the 1950s and 1960s. Laski was the leading British advocate of socialist economics as it prevailed in England with the Atlee Labor government immediately after World War II and that then spread to India, Latin America, and much of the rest of the less developed world. Hayek was an intellectual outcast in those days, but later became the intellectual hero of Margaret Thatcher and Ronald Reagan, who led a wave of privatization in the 1980s and 1990s, with wide-ranging repercussions on world events.

Keynes is the leading hero of the story, as told by Hoover. He was a “progressive” preacher who rejected “any notion of natural law or divinely inspired morality” and advocated the empowerment of “rational elites” to oversee an economic system of “properly managed capitalism.” As a first-hand witness to the debacle of the Versailles treaty at the end of World War I, as well as other large policy failures, Keynes came to distrust ordinary politicians. Democracies must listen to wiser and better-informed people such as Keynes himself in order to adopt enlightened policies. Indeed, Keynes was a brilliant public debater and one of the few economists in history with the rhetorical and other powers necessary to move public opinion.

Hoover admires Keynes’s efforts and argues in effect for a political economy in which people such as Keynes can assume the tasks of economic management. Unfortunately for this argument, and aside from Keynes’s unique intellectual skills, it is likely that he was also uniquely a product of the British class-based system that empowered an educated elite dedicated to the public service of the nation.

Laski follows after Keynes in Hoover’s favor. Laski had the proper values but lacked Keynes’s incisive mind. Indeed, according to Hoover, Laski’s thinking was often an illogical muddle, attempting to blend contradictory elements of Marxist dogma and British social democracy. He symbolized in British politics, however, a fierce dedication to the cause of the underdog and enlisted a host of disciples to spread the progressive word. He was the leading theoretical light of the Labour Party in the 1930s and 1940s and helped it to avoid the damaging entanglements with Soviet communism that were common on the left in other parts of Europe.

In Hoover’s portrayal, Hayek is the least attractive. He rivaled Keynes in intelligence but was morally suspect (he divorced his wife of twenty-five years to run off with a childhood flame), and shared with Laski a dogmatic tendency of thought. In addition, as with Laski, there were basic contradictions in his core vision. Hayek argued

that human rationality was too frail to design the best institutions and that society should rely on processes of “spontaneous evolution,” even as he was a fierce advocate of rational market institutions that had been losing out to the evolutionary trends of his own times.

Hoover paints this intellectual landscape with a progressive brush. Although he is not explicit about this, it is evident that his own religion consists of reason, progress, equality, and democracy. Traditional religion has little role to play in his version of history except by its absence in the lives of his main protagonists and the need to find secular substitutes. His judgments of Hayek are not altogether fair, but, in the end, they are less harsh than those of many of his progressive predecessors.

Economics as Ideology is, in short, popular intellectual history at a high level. For those seeking both an engaging review of the economic ideas that shaped much of the history of the twentieth century and short biographies of three principals in formulating and advancing these ideas, it is an enlightening and illuminating work.

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Lehrbuch der Nationalökonomie (Teaching Guide to Economics)

Heinrich Pesch, S.J.

Translated by Rupert J. Ederer

Lewiston, New York: Edwin Mellen Press, 2002–2003 (10 volumes)

Rupert Ederer, an economics professor (now emeritus) at the State University of New York at Buffalo, has devoted much of his scholarly career to the translation and promotion of the work of the German Jesuit, Heinrich Pesch. Ederer’s crowning achievement is this ten-volume translation of Pesch’s magnum opus, the *Lehrbuch*.

The series is introduced with helpful essays on Pesch’s life, work, and significance by Ederer and Edward J. O’Boyle. Pesch (1854–1926) was born and lived most of his life in Germany, but he completed his theological studies in England from 1885–1888, observing the practice of liberal capitalism, Ederer notes, “in the same setting as Friedrich Engels and Karl Marx.” The young Jesuit resolved to relieve the plight of poor workers, and this aim inspired his subsequent scholarly career in the field of economics.

Pesch had privately studied economics for years before he took up formal training in the subject at the University of Berlin in 1901. Shortly after finishing his study there, he began work on the *Lehrbuch*, spending the next thirteen years at the task. In his main work and in the more than one hundred other publications he produced, Pesch formulated and advocated an approach to economics that he called *solidarism*. Pesch was also an influential mentor of other German Jesuits, such as Oswald von Nell-Breuning, who was deeply involved in the drafting of Pope Pius XI’s 1931 encyclical, *Quadragesimo Anno*.