

# **Economic Rationalism and Its Discontents**

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*First Abolish The Customer.*  
*202 Arguments Against Economic Rationalism*

Bob Ellis  
Penguin, 1998

*Contesting the Australian Way*  
*States, Markets and Civil Society*

Edited by Paul Smyth and Bettina Cass  
Cambridge University Press, 1998

*First Abolish the Customer* is Bob Ellis' own contribution to the popular Australian pastime of romper-stomping the Economic Rationalist.

This reviewer's judgement of Ellis' achievement will quickly become plain.

But let me first draw attention to the book's most noticeable feature: its unusual structure. *First Abolish the Customer* is a book without chapters. It is a book of 202 brief sections. Some are only a sentence long. We are, therefore, offered 202 of the author's *pensees* to savour. Let us taste now some the wisdom the reader is offered.

"A just democratic system would confiscate all company profits over twenty-two percent".

"Let us ban, for three years only, all foreign camembert and mineral water".

"Contraceptives, it can be plausibly argued, are unnecessary when the alternatives of oral sex and coitus interruptus are easy to learn and free of charge".

Evidently, in *First Abolish the Customer* the reader is in the midst of something ludicrous.

In *First Abolish the Customer*, we read further that; Thomas Edison murdered a rival inventor by having him pushed out of a train; that 80 percent of US prisoners are black (the correct figure is 43 per cent <sup>1</sup>); that the entire population of the world could stand the Isle of Wight <sup>2</sup>; that Stalin's cold war foreign policy was always defensive; that Australian families could afford better food in 1949 than 1998; and (topping that whopper) Australian living standards in 1990 were lower than in 1920 (p.107).

So what we have here is a book without limits: there are no limits to the crap the author would have us believe. In fact, this feature makes it a rather funny book: the ludicrous can be hilarious. While reading I kept a tally of the number of times I laughed. I finished at 13.

Regrettably, I cannot recommend *First Abolish the Customer* as reading for pleasure, since parts of it are odious. It is not odious in its ostensible subject;

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<sup>1</sup> Table 375, *Statistical Abstract of the United States 1998*, US Department of Commerce.

<sup>2</sup> The world's population at the time of publication was approximately 5.951 billion. The Isle of Wight is 381 square kilometres. To fit the world's population in the Isle would mean 15.6 people per square metre.

economic rationalism. The treatment of that subject is often deserving of scorn, of despair, of incredulity, but not disgust. What is deserving of disgust are some of its numerous digressions. Let me select one: Ellis' vilification of Democratic Russia. By Democratic Russia, I mean multi-party Russia of Boris Yeltsin. Not Gorbachevite Russia, where the Communist Party was the sole legal party, until the writing was on the wall. I mean the Russia born in resistance to an attempt to impose rule by generals in August 1991, and that survives to this day. The author reviles the creator of Democratic Russia, Boris Yeltsin. Yet he speaks oh so softly of those who sought to destroy Russian democracy by a counter-revolutionary putsch in October 1993. He writes thus of Yeltsin's defeat of that particular Leninist lunge for power;

“And the duly elected member of the Russian parliament, the Duma were unconstitutionally treated as Red Revolutionaries and dealt with very severely. Their parliament was bombarded and set on fire, and forty nine shot dead as they stumbled out of the flames”.

Faced with this glob of muck what will the fastidious mind wish to do? Simply to sweep it away with revulsion, and not to tarry to dissect it for its pathogens. So let me confine myself to one query: who in post-communist Russia has Ellis chose to consort with? Vladimir Zhirinovski. It was Zhirinovski whose visit to Australia Ellis sought to arrange in January 1994.

But Ellis' denigration of Democratic Russia is a departure from his main subject; it is only a manifestation of a shameless author's right to say whatever he damn well pleases, without any accountability to truth or decency.

His main subject is Economic Rationalism. And his thesis is that Economic Rationalism is a Bad Thing.

The reader will be aware that this judgement is no novelty. What has some novelty is the revelation of the nervous core of Ellis's aversion to Economic rationalism. What Ellis abhors is economisation; the making of economies; the prudent, cautious attempt to make ends meet and budgets balance. What Ellis adores is the economy of largesse. An economy where persons, and governments, spend profusely, boldly, willingly, unhesitatingly.

Two arguments in favour of the economy of largesse are presented.

The first is the familiar effective demand justification. Ellis here reads like any student Keynesian explaining how the economy will prosper if we all take whatever we have in our wallets and spend it today. Indeed the ghost of Keynes is spirited up by Ellis, and accorded great reverence. It is ironical, perhaps, that virtually the only economist mentioned in the entire book is so well spoken of.

The second argument does not rely on the benefits of spending being external to the spender, as the effective demand argument does. Rather, in his second argument, Ellis claims that internal benefits of expenditure are not fully appreciated by those spenders possessed by the calculating, rationalising outlook which economists recommend. To Ellis this calculating, rationalising outlook is actually irrational: it leads decision-makers to do less than the best by themselves by robbing them of vision, and a sense of possibility. Ellis illustrates. In the 1930s, says Ellis, the ABC sought to economise on film, which cost the grand sum of 5 shillings a reel, by filming none of Bradman's batting (only the wickets bring taken). How much would a 5 shilling investment in a film of Bradman batting have earned 60 years later?

Another story: in 1974, says Ellis, most of the ABC's black and white TV footage was sold (and turned into car polish) because of lack of storage space. Each can went for \$2. How much would a can of *6 O'Clock Rock* yield today? Not a vast sum, perhaps, but rather more than \$2. Ellis further presses his point with some tellable yarns about false economies in showbiz and tourism.

Doubtless, Ellis's hostility to economisation is born of the age-old frustration of the artist finding his vision stifled by small minds in suits. Certainly this style of objection to economic rationalism has occurred before in artists. Was it not Wordsworth who, in raptures over the costly but beautiful King's College Chapel, scorned "the nicely-calculated less and more".<sup>3</sup> And was not Keynes himself something of an *artiste manquee*?

But putting aside its psychological roots, could Ellis be right? Could it be true that the economisations of economists and leads to underinvestment? Do formal programs of rational conduct (eg calculating present values) actually promote underinvestment? Yes, they could. Economist's theories of rational conduct are only theories. Most optimisations (eg you decision about what to read in this journal) is not made on the basis of a formal optimisation. It may be that optimisation is best achieved through informal procedures, procedures that run contrary to formal articulated ones. This thought has been aired 60 years ago by John Maynard Keynes who celebrated the entrepreneurs' animal spirits over Benthamite calculus. It has been mythified by George Gilder who maintains that huge and profitable investments would never have been made on neoclassical principles, but require instead "faith".

But the possible inadequacy of economists models of economical conduct is of no great significance to the debate over economic rationalism. If informal procedures or sentiments (faith/ animal spirits) outperform rational models *the*

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<sup>3</sup> "Give all thou canst; high Heaven rejects the lore Of nicely calculated less or more", 3.43, *The Ecclesiastical Sonnets of William Wordsworth*, A.F. Potts ed., Yale University Press, 1922.

*market is surely going to select in those superior informal procedures. So by formal hook, or informal crook, the market will do the job.*

Further, the critic of Economic Rationalism casts no doubt on this claim by enumerating cases when the market has refused to invest in something which turned out to be very profitable. In a situation of uncertainty there will always occasionally be investments were profitable *ex post*, but not *ex ante*.

In summary, Ellis makes no successful case against the free market movement. What he has succeeded in doing is ranting for two hundred pages against a movement which has sought to expand freedom and choice to the Australians; a movement that has above all sought to give freedom and choice to the *consumer*. It is a tribute to the perversity of this volume that it has been entitled *First Abolish the Customer*. If Economic Rationalism has done anything, it has sought, above all, to raise the respect given to the *consumer* by policy makers; it has sought to raise the respect given to consumers' preferences over the car they drive, or the pork they buy, or how much superannuation they pay, or the conditions under which they work

But should we care about Ellis? Why should one trouble to make a tour of the inanities of this book and to slay them one by one<sup>4</sup>? Why not just let such asses bray, and get on ourselves with the serious stuff of economic research?

The reason we should care is that such opinion's have some influence. Ellis' volume was listed by the *Australian Review of Books* as the top selling non-fiction title of December 1998. Perhaps we should not take that honour too gravely: it is based on a tiny sample from only NSW. But the book was certainly everywhere in the bookshops in that month. Further, we learn in reading it that that the Leader of the Opposition, Kim Beazley, had part of his 1998 Budget Reply Speech written by Bob Ellis. Ellis quotes a portion approvingly.

This last detail provides occasion for a melancholy reflection about the times. It is well known that Pitt the younger befriended and took advice of Adam Smith on matters of economic policy. Now a man who would be PM uses Bob Ellis to write his Budget Speech. From Adam Smith to Ellis. Decline and fall.

*Contesting the Australian way* (edited by Paul Smyth and Bettina Cass) is an entirely different production from *First Abolish the Customer*. In moving from Ellis to Smyth and Cass, we move from the stage to the academy. In Ellis we are amidst the bullshitting and yarning of a Politics in the Pub night. In Smyth and Cass we are in the dry and still atmosphere of the seminar room.

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<sup>4</sup> Another one: "if all insurance was run by government, and there was only one government insurance company, your premiums would be much cheaper".

*Contesting the Australian Way States, Markets and Civil Society*, was born of workshop of the Academy of Social Sciences in Australia, held in 1995. It consists of 15 papers; six by sociologists or social workers; five by political scientists, the remainder by a heterogeneous mixture which includes two economists.

The subject is the actual and appropriate balance between Markets and the State. The thesis is that Australian political culture has and does favour a stronger balance towards the state than do other anglophone societies.

And in this they are absolutely right. Australia's inclination towards the state is manifest in the policies Australia has persisted with despite their rapid erosion in the US and UK.

This inclination doubtless derives strength from our folk ways, above all in our elevation of the proletarian. There are few first world countries where proletarian mythologies, and even more proletarian folkways, receive more toleration and esteem than in Australia. This is the country of mythology of mateship.<sup>5</sup> This is the country which invented the May Day holiday. This is the country which allows trade union membership fees to be tax-deductible, but not donations to the church plate. This is the country which permits physical force of trade unionists, not law, to determine whether one may enter a business premise and do business.

Now it is plain that the Benjamin Franklinesque values at the heart of Economic Rationalism; its pacific, calculating, individualistic tendencies; are antithetical to aggressive, unbending, collectivistic characteristic of proletarian values; values have been at the sentimental heart of of the Labor Party, and have been strong enough to leave alternatives to the Labour Party weary of attacking them.

Therefore Economic Rationalism is, indeed, hostile to the "Australian ideology". Economic Rationalism is something of a national heresy.

In this dispute *Contesting the Australian Way* may be said to stand for national orthodoxy. Navigating through its pages, it is obvious that we are within a snug and sealed intellectual community; a community where everyone seems to agree with everyone else, and nobody agrees with economic rationalism. There is no contest in *Contesting the Australian Way*

There is no representative of economic rationalism. Indeed, there is almost no economics. The consideration of economic questions is generally uncontaminated by economic logic. For example, the authors writing on the labour market seem quite innocent of the notion of a labour demand curve. So

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<sup>5</sup> My American spell checker does not recognise the term mateship.

on page 70 we learn Australian workers should be glad they are living in Australia where they have “a guaranteed living wage”, unlike their wretched counterparts in the US. In truth Australian workers are not guaranteed a living wage, since are not guaranteed a job. In truth, what a guarantee waged does guarantee is that part of the workforce will be on the dole. Another illustration of economic ignorance of some authors is a bizarre reference to “the hegemony of neoclassical thought in Australia in the 1950s and 1960s”(p.99). Reading this sort of thing is enough to make one shake one’s head in disbelief. A slight acquaintance with the subject would teach that it would be far closer to the truth to say Keynesian economic thought was hegemonic in Australia in the 50s and 60s.

But it is not only pure economics that is lacking; the theory of the political economy is also thin. References are made *en passant* to Buchanan, Hayek, Mill, Locke, Puttnam, Fukuyama; but there is little sense of engagement with their ideas.<sup>6</sup>

What is still more remarkable is the total neglect of the idea “civil society” in a book which has as its subtitle *States, Markets and Civil Society*.

Civil Society has a curious intellectual history.

It was a term born in the Scottish enlightenment, and was used to signify essentially a free society.<sup>7</sup> A society which *was* a society, but which existed distinct from the state.

The concept of civil society was taken up by Hegel, explored by Benjamin Constant and Tocqueville, and scorned by Marx. To Marx there was in capitalism no civil society, distinct from the state. Coincident with Marx, and the fading of liberalism, the term decayed in use.

It was reborn in the 1980s in Poland and Czechoslovakia. In the wake of the crushing of Solidarity in 1981, hopes of humanising the communist state wilted. There was an impulse to withdraw from an apparently hopeless political struggle into an alternative society, one outside the state. The term “civil society” came to symbolise the existence of a social relations outside of the state, social relations that stood in contrast to those sham relations contrived by the state. Civil society was jazz sessions, rather than the Party Youth Congresses; unofficial trade unions, rather than the state sponsored simulcra of trade unions.

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<sup>6</sup> Weak theoretically, it is also weak empirically. It is almost “fact free”: in 280 pages there is not a single table of data, although there are 4 graphs.

<sup>7</sup> For example Adam Ferguson’s paper of 1773 “Essay on the History of Civil Society”.

In sum, “civil society” was a slogan of resistance against the total state.

It is, therefore, a remarkable inversion that during the 1990s that “civil society” has been taken up by the left as a kind of tag of resistance to the reduction of the state.<sup>8</sup> And it is excruciating that the term “civil society” is now used as rhetorical ornament of the left’s cooing and aching noises about their beloved state.<sup>9</sup>

Given the audacity of the left’s misuse of this term it is perhaps not surprising that this volume barely touches on its intellectual origins. There is no references to those thinkers most closely associated with the concept: Tocqueville, Hegel, and Ernst Gellner get none, and there is just one (perfectly trivial) reference to Marx.

What we do get is several quotations from Paul Keating’s speeches.

Indeed, one of the striking features of the volume is how much it stands in the shadow of Paul Keating. “In the year 2001 Australia will become a republic”. With these bold Keatingesque words the book commences. Paul Keating is the most referred to person in the book.<sup>10</sup> Keating gets more references than John Stuart Mill, Hayek, John Gray, Robert Puttnam, Montesquieu, and Karl Marx put together. (Howard receives on one reference. So does Whitlam). Various peculiar sports of the Keating period are solemnly scrutinised; *Working Nation*, *One Nation*, and even a thing called the “National Strategies Conference of 1994”.

This sort of star billing of Paul Keating really gives the game away. *Contesting the Australian Way* comes with hefty academic auspices and appearances. But despite its 500 publication bibliography and its 5 professors, there is nothing much in it.

Peter Whiteford’s, “Is Australia Particularly Unequal? Traditional and New Views” is interesting and worthy.<sup>11</sup> But I can find little else to recommend.

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<sup>8</sup> For example, *A Truly Civil Society*, Eva Cox. ABC Books, 1995

<sup>9</sup> *Contesting the Australian Way* is rich in such cooing. In a chapter entitled “Government and Civil Society” we learn that the public sector is much better at “ensuring equity, preventing discrimination or exploitation, ensuring continuity and stability of services and ensuring social cohesion” Oh really?

<sup>10</sup> If we exclude the authors of the volume.

<sup>11</sup> It is a sad irony that the most valuable paper in a workshop by the Academy of Social Sciences in Australia by an employee of the Department of Social Security.

Cuts

Falseness: there is only one Way, and its American

Flat academicism

- Sheer gallic wankery  
the old dears; Manning Clark, and Russel Ward

Sectaries

No “Contesting”

It is not my contention that all the contributors are sectaries of Paul Keating,

“wage protection” = employment.

Guaranteed a living wage; p70 unemployment!

Free from personal vituperation, only an architect. Only ecst is praised; Milton Friedman.

But the scatter of papers never achieves more focus tha this generality.

“How bad can it get?” “ How low can the level go?”. These are two questions prompted by reading Bob Ellis’ own contribution to the popular Australian pastime of romper-stomping the Economic Rationalist. “How bad can ‘the case’ against Economic rationalism become?” “How low will its intellectual level drop?” Ellis suggests is pretty bad and low

The reads eyes moves across a verbal terrain of “literatures”, “perspectives”, “reconceptualisations”.

Revival of a forgotten concept, developed in the 18<sup>th</sup> century scottish enlightenment. v.

Cox, Eva (Eva Maria), 1938-  
Title:

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