

Title of Paper: A General Theory on the Hierarchy of Political and Economic Orders

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Author: Cameron M. Weber
168 21st Street, #1C
Brooklyn, NY 11232
Phone: (202) 531-1281
cameron_weber@hotmail.com
www.cameroneconomics.com

Institutional Affiliation: The New School for Social Research
New York, New York USA

Biographical note:

Cameron M. Weber holds an MBA in Public Policy from the University of New Mexico, was a member of the US foreign service based in Africa and Central Asia, and has worked with the U.S. Government on economic development projects in more than 10 countries. Currently Mr. Weber is a public sector economics and finance consultant and in the graduate economics program at the New School for Social Research in New York City. His book *Economics for Everyone* is forthcoming from Unlimited Publishing LLC. For more information, including a *curriculum vitae*, see www.cameroneconomics.com.

All is fair in war and politics. It is a game of force and fraud. There is said to be honor among thieves, but one does not look for such a thing among statesmen.

Thorstein Veblen¹

The basic purpose for which democracy exists is to develop the potential of every person in the community to the fullest.

Austin Ranney²

I. Introduction

It is generally accepted that political science began as a branch of philosophy with *The Republic of Plato* (circa 390 B.C.) and that economic science began as a branch of political science with Adam Smith and *The Wealth of Nations* (1776). Before the increasing specialisation of the social sciences, economics was known as “political economy”: this paper continues the process which began in earnest in the 1960s of re-uniting politics and economics, through an observation of the relationships between political orders and economic orders. The premise is that certain political orders align with certain economic orders, and that human

potential (physical, emotional and spiritual well-being and advancement) is increased when these alignments are allowed to flourish. The examples used in this paper are from the United States, but the observations described are, hopefully, catholic.

One of the reasons economics has branched from politics is that economics has become to a large degree a mathematical science. This has allowed some economic principles to be agreed-upon by many economists as universal truths regardless of an economist's political persuasion.³ However, there is a continuing debate amongst economists, and indeed many social scientists, as to whether values can be completely excluded from social science work.⁴ This perceived or in-fact value-based social science has actualized itself in the continuing "left versus right" dialogue both in academia and in the general populace (as witnessed by the "red state versus blue state" political divide in the popular press in the US.)

The purpose of this paper is not to discuss or come to a conclusion on the possibility of a value-free social science or to suggest further topics for research on the reintegration of the political and economic sciences but to discuss the appropriate role for government in society by disaggregating society into different levels of political and social organization. At the bottom, or base, of the hierarchy

is the family, the next level is local government. At the top, or apex, of the hierarchy is the nation-state⁵ (see Illustration 1). In turn, there is a hierarchy of economic organization, with full resource-sharing, or collectivism, at the bottom or base of the hierarchy, and a *laissez faire*, or classical liberal, order at the top or apex of the hierarchy.

I try to show that the hierarchy of social and political order aligns with the corresponding economic hierarchy, and that these alignments are most suited towards helping human beings reach our potential. Or to put it another way, alignment of certain economic and social orders best enable us to be on a path towards a *decent human life*.⁶

A complete analysis of how or why these orders best fit together is beyond the scope of this paper; the purpose of the paper is to show that it might be best to disaggregate societal order in our social and economic research, and indeed in our political discussions, to best enable the advancement of these discussions beyond dogmatic, and therefore unbridgeable, political and philosophical divides. If we are to argue over what government should do in our lives, on a continuum from complete *laissez faire* to a complete welfare state, let us at least agree where in our lives this government activity is taking place in order to have more constructive

discussions. After all, as social scientists, and human beings, most of us would like to see the advancement of our human condition; this we can agree on.

Individuals need to know that they are in control of their lives, that the effort they put forth towards something will generate the rewards they seek from that effort.⁷ This can be true of any human endeavor, be it in putting food on the table, in educational, career and social pursuits, or in family, love and intimacy relationships. To not feel in control of oneself and one's destiny can mean emotional turmoil or a soul-destroying apathy. Abraham Maslow described a hierarchy of human needs, from food and shelter at the lowest rung to self-actualisation as the highest human potential.⁸ *The Wealth of Nations* described (and predicted) how a classical liberal economic order would help an increasing number of people to achieve freedom from want, from the need to spend all of one's efforts on the first rung of Maslow's ladder.

The United States was founded on the principles of limited government, with specific roles delineated for government in *The Constitution of the United States of America* (1787), as amended to remove the disenfranchisement of women and blacks. It might be argued that the US no longer has a limited government at the nation-state level and this is one of the reasons for much of our social ill, for the

alienation that has set into our body politic and for our current divisive “us versus them” mentality. We may have delegated too much of our personal control, our personal sense of destiny, to the federal government, e.g. the nation-state, to the detriment of political and economic activity at sub-national levels.

That the US no longer has a limited national government might be indicated by the growth of the federal government from 15.6 per cent of the economy in 1950 to 18.4 per cent of the economy in 2000, an almost 18 per cent increase ($(18.4 - 15.6) / 15.6$) in the federal government’s “market share” of the economy.⁹ It is not just the fact that this increase in government means a corresponding decrease in private (personally-controlled) activity and perhaps a “crowding-out” of local government activity, the nature of government power has changed as well. According to political scientist Michael Unger competition amongst politicians (choice options for individual voters) has been willfully decreased by those in power.

In our political system we have an industry dominated by two firms. Republicans and Democrats hold 99 per cent of the market share and have undertaken actions at the state and national level to make it practically impossible for any other party to enter....Because no individual can

influence government, stripping away intermediary organizations of individuals [through the petition process for market entry and “soft-money” limitations to independent parties] makes the remaining organized groups more powerful.¹⁰

This set of limited choices faced by voters can be alienating. This alienation can be found in public opinion survey data from 1950 to 2004, which show an increasing amount of people identifying themselves as independent and decreasing amounts identifying strongly with either the Democrat or Republican parties.¹¹ A proposal for the complete revision of our political system to address the larger issue of the corrosive nature of this political alienation on our social fabric is beyond the scope of this paper, but the General Theory presented below might help prescribe some solutions given what we have and where we are.

II. A General Theory on the Hierarchy of Political and Economic Orders

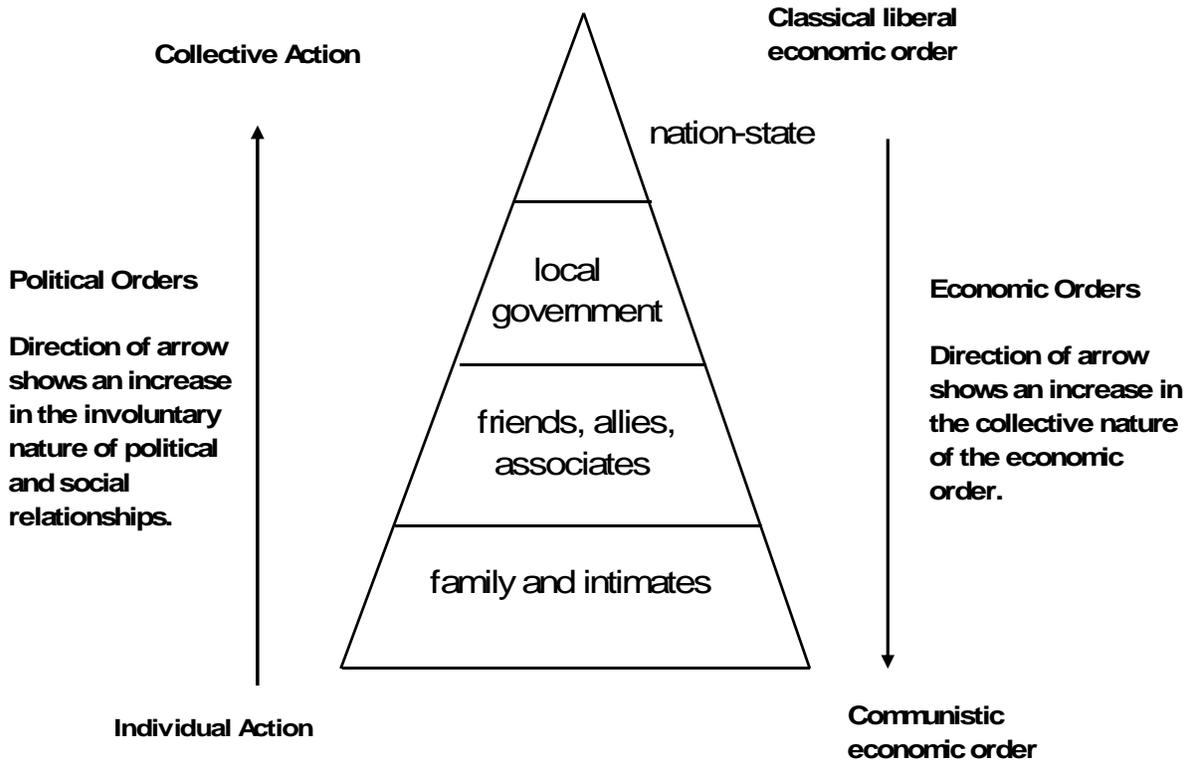
Organisational behavior “team building” theory describes how trust is necessary for a team to succeed and how this trust can only be built through working together over time.¹² I wish to compare this team concept to social organisation.

Illustration I shows on the left-hand side a hierarchy of social and political

organisation that becomes increasingly less voluntary, increasingly depersonalized and increasingly less team-like, as the groupings move up the hierarchy from families to the nation-state. We do not choose all the members of our families but a team is built nonetheless through unconditional love. To a lesser degree, but still more voluntarily compared to further up the hierarchy, we choose with whom we work and associate in civil organisation. We build teams together and learn to live together and trust one another. Social capital is accumulated over time in the community through working together and interacting on a daily basis.

When we continue up the hierarchy the groupings become increasingly less voluntary and team-like and increasingly coercive. We are less free to choose the cities, states and nation-states we live in due to the financial and emotional costs, or political impossibility, of moving from one location to another. We are also less free to choose the collective actions the political bodies engage in and the tax regimes these bodies use to fund their activities. The apex of depersonalisation is the nation-state where many of us do not see on a day-to-day level the activities of the state, but merely read about these activities, especially our foreign policy, in the mass media.

Illustration I: The Hierarchy of Political and Economic Orders



On the right-hand side of the hierarchy is shown the continuum of economic constructs which relate to the social and political organisations on the left-hand side. At the family level we might be willing to help unconditionally those we love unconditionally. Many of us will share everything we have with our loved ones. This is communism; where everything is shared by everyone.¹³ We do this, albeit oftentimes subconsciously, voluntarily. This sharing of resources with those we love and work with on a daily basis can bring us a direct happiness and a direct sense of contributing to the common good.

As we move further up the hierarchy our relationships are more depersonalized and social and political organisation is less voluntary and less cooperatively-organized. We have not voluntarily built teams and do not see nor feel the direct result of our input into collective actions. However many of us would still like to help our fellow man through our uniquely human virtue of compassion (or *sympathy* as this concept was referred to by the moral philosopher-economists of the 18th century).¹⁴ Government redistribution at depersonalised levels can remove the compassion of daily exchange and leave both the recipient and the ‘donor’ of redistribution with a sense of alienation. Social capital can be diminished as result

of these depersonalised exchanges where trust over time and a sense of working together is not established.

At the community level we realise that some government involvement in our lives is both necessary and beneficial. We see, on a day-to-day “team” level, the need for public works and services; for police, fire-fighting and emergency medical services, for roads, urban mass transportation and for sewer and water services. We understand the need to share these, in Marxist terms, “means of production”, to receive these services “according to our needs” and to pay for them “according to our abilities”.¹⁵ At this level political activity and collective action does not bring alienation because we directly see, and use, the result of our tax dollars. We have created a *sense of civic community*.¹⁶

In the Hierarchy of Political and Economic Orders, I show that it may be that classical liberalism, defined as “an ideology advocating maximum freedom for individuals from regulation by governments”¹⁷, which offers the most compassionate, and rationally sound, way to handle the depersonalised relationships at the top of the hierarchy, at the nation-state level of political organisation. Trade is how wealth is created¹⁸ and classical liberalism describes how best to allow those who do not know each other to trade; by providing a clear

system of property rights and a rule of law in which to bring redress when wronged and to remove impediments (uncertainty) to trading freely with those we don't know. This wealth creation then is how we move from material need to spiritual and emotional advancement.

An over-active government at the higher levels of political organisation may be counter-productive because, trust (the team) is not formed organically and the social capital needed for government intervention in our lives has not been created. When trust is not built organically through personal interaction, trust needs to be built through the soundness of institutions. The government intervention in an economy which is possible at the lower levels of political organisation, due to day-to-day interaction with these government institutions, is not possible at higher levels of political organization because the exchanges are not manifest interpersonally; no 'team' is built over time through mutually beneficial exchange and the results of government activity is not seen positively on a daily basis. In fact, the *absence* of depersonalized government activity may be more apt to build trust in government institutions that what may be seen as *arbitrary* government activity.

This same over-active government at the nation-state level might have a direct effect on the material well-being of individuals. “Without a sound framework for depersonalised exchange, trade will remain localised and the poor will be unable to realize the full economic benefits of trade.”¹⁹ Absent institutional trust, this sound framework for trade cannot be constructed. A classical liberal economic order (the economic order which by definition facilitates trade by prescribing no government interference in the exchange of goods) might then be the most appropriate for our emotional and spiritual advancement because this order best enables material advancement. Professor Allen Buchanan describes the paradox of how the same institutions that can protect human rights (in this case the right to trade and contract freely) are the same ones that threaten these rights (in this case through trade barriers and government-granted monopoly powers).²⁰

James Buchanan and Gordon Tullock in their classic 1962 work solidifying the reunification of political science and economics, *The Calculus of Consent*, show how special interest groups gain disproportionately when government sets the rules of the game too far beyond the rule of law when social and political activity is at the depersonalised level.

The members of the effective coalition will receive differentially larger shares of the benefits expected to result from collective action and/or they will bear differentially smaller shares of the costs of collective action providing general benefits for the whole group. This amounts to saying that redistributive elements must be part of any collective decision reached by less-than-unanimity rule.²¹

It might be logical to conclude that the political lobbying necessary to gain this advantage is more affordable to the wealthy than to the poor; this can increase inequality. It might also be logical to conclude that there is a tendency for government to grow beyond the classical liberal order under the set of economic incentives where the costs of growth are diffuse and the gains to growth are focused. Government growth at lower levels of the hierarchy does not destroy social capital, and in fact may build social capital, because society is directly participating in the results of the government spending locally. However, government growth at the higher levels might be more apt to destroy social capital because the uneven costs and benefits of this growth are seen locally, thus bringing political and social alienation due to what can be seen as government corruption (which is in fact just special interest politics).

Although the pendulum may have swung too widely towards the growth of the nation-state (which might be indicated by the increasing voter alienation over time as government has grown over time) the US still has the underpinnings of a classical liberal economic order. *The Economist* describes the US economy, “Most important may be America’s legal system, which offers excellent protection, by developing economy standards, for private property, contracts, patents, free speech and so forth. These guarantees tend to attract outside capital, spur local investment and let commerce and innovation flourish.”²² This rule of law can create a sense of community, the logical and emotional foundations of a “team” despite (or because of) depersonalised situations where day-to-day interaction and team-building is not possible: the rule of law allows trust in institutions to be built over time.

We might become more aware that our social, political and economic orders have become misaligned due to the growth of government at the nation-state level through federal government involvement in areas beyond those of classical liberalism. For government activity which serves the common good beyond those negative rights described by a classical liberal order, perhaps a more decentralized approach, a movement down the hierarchy of political and economic orders, is needed.

III. Political and Economic Orders in Perspective

The current state of affairs was noted by one of the community leaders involved in rebuilding New Orleans after the Hurricane Katrina disaster, “If we’re depending on the government to pull us out of this, its not going to happen. It is really going to be up to business, not-for-profit organizations, churches and the people to step up.”²³ The Katrina disaster shows the downside risk of a national government in a country the size of the US that tries to do too much (“government overreach”) to the detriment of a more decentralised, a more personal, direct and “team-like”, political and economic order.

Perhaps the most obvious need for citizens to keep a check on the nation-state was foretold by Thorstein Veblen (whose words began this paper).

Business interests urge an aggressive national policy and businessmen direct it. Such a policy is warlike as well as patriotic. The direct cultural value of a warlike business policy is unequivocal. It makes for a conservative animus on the part of the population. During war time, and within the military organization at all times, under martial law, civil rights are in abeyance; and

the more warfare and armament the more abeyance...A military organization is a servile organization. Insubordination is the deadly sin.²⁴

IV. Conclusion

Professor Colin Couch²⁵ points out two issues of relevance to this paper. The first is that much debate over political philosophy is of a dualistic nature; that of neo-liberalism versus social democracy. The second is that, “The centrality of the nation-state in most typologies of capitalist diversity also needs to be questioned.”²⁶ This paper has attempted to address both of these issues by disaggregating the political philosophy debate into hierarchical levels of order. The debate can be reformed not in terms of the dualistic nature of a proffered nation-state order but one of roles for government at certain levels along a continuum of political and social orders, with the family and local government at the lower orders, and the nation-state at the top of the order. One can then apply economic and other social scientific analysis to this decentralized framework without the dualistic endgame. I have also attempted to show that there may be an unbalanced hierarchy of political and economic alignments in the US and that this may have lead to the current state of political alienation with two dominant political parties.

I have proposed that through keeping a check on the tendency of the nation-state to grow due to the unequal distribution of costs and benefits of government growth, and through realising how this nation-state growth upsets the hierarchical order through the non-accumulation of social capital, we might be able to better find our own individual and collective paths towards developing our potential as humans. The political, philosophical and economic discussions we might be having can move beyond the establishment political practices at the nation-state level, and our focus can be at what level, and to what extent, in our lives does government belong.

Notes

¹ Thorstein Veblen, *Absentee Ownership and Business Enterprise in Recent Times* (New York: Viking, 1954), p. 24.

² Austin Ranney, *Governing: An Introduction to Political Science* (Englewood Cliffs, NJ: Prentice Hall, 1993), p. 109.

³ In the United States political liberals tend to believe that there are wealth redistribution (economic egalitarianism) roles for government whereas political conservatives do not believe in government-enforced wealth redistribution. Both liberals and conservatives believe that there are paternalistic roles for government but do not agree what these roles are. Conservatives believe that government should be used to enforce moral order whereas liberals believe government should be used to regulate private business affairs for consumer and environmental protection and to provide old-age pensions and medical services for the indigent if not universally. It should be noted that not all people define themselves as either liberals or conservatives but as independent of these labels and of the opinions of roles for government denoted by these labels.

⁴ Two relatively recent books which are largely devoted to this topic of a “value-based” versus “neutral” social science are, in political science; Nasser Behnegar, *Leo Strauss, Max Weber, and the Scientific Study of Politics* (Chicago, IL, University of Chicago Press, 2002), and in economics; Deirdre N. McCloskey, *The Rhetoric of Economics* (Madison, WI: The University of Wisconsin Press, 1998).

⁵ I am excluding supranational institutions from the Hierarchy of Political and Economic Orders as beyond the scope of analysis.

⁶ See Allen Buchanan, “Equality and Human Rights”, *Politics, Philosophy and Economics*, Vol. 4, No.1 (2006): 69-90 for further discussion on a “decent human life”.

⁷ Karl Marx, *Capital, Volume One* (New York: Random House, 1977), p. 716 and Camille Paglia, *Sexual Personae: Art and Decadence from Nefertiti to Emily Dickinson* (New York: Random House, 1990), p. 185.

⁸ See Abraham Maslow, *Motivation and Personality* (New York: Harper & Row, 1970) for the “hierarchy of needs.”

⁹ Congressional Budget Office, *A 125-Year Picture of the Federal Government's Share of the Economy, 1950 to 2075* (Washington, DC: Congressional Budget Office, 2002), Illustration 2.

¹⁰ Cato Institute, *Cato Policy Report, May/June* (Washington, DC: Cato Institute, 2006), p. 15.

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- ¹¹ American National Election Studies, “The ANES Guide to Public Opinion and Electoral Behavior: Party Identification 7-Point Scale 1952-2004”, which can be found at http://www.umich.edu/~nes/nesguide/toptable/tab2a_1.htm.
- ¹² Harold J. Leavitt, *Managerial Psychology* (Chicago, IL: University of Chicago Press, 1973), p. 233.
- ¹³ Robert L. Heilbroner, *The Worldly Philosophers: the Lives, Times, and Ideas of the Great Economic Thinkers* (New York: Simon & Shuster, 1999), p. 79, and Karl Marx, *Capital, Volume One* (New York: Random House, 1977), p. 515.
- ¹⁴ David M. Levy and Sandra J. Peart, “Sympathy and Approbation in Hume and Smith: A Solution to the Other Rational Species Problem,” *Economics and Philosophy*, 20 (2004), pp. 331-349; David Hume, *A Treatise of Human Nature: Being an Attempt to Introduce the Experimental Method of Reasoning into Moral Subjects* (New York: Oxford University Press, 2000), originally published 1739, and Adam Smith, *The Theory of Moral Sentiments*, New York: Prometheus Books, 2000), originally published 1759.
- ¹⁵ Karl Marx, *Critique of the Gotha Programme* (Beijing: Foreign Language Press, 1996) originally published 1891.
- ¹⁶ Robert D. Putnam, *Making Democracy Work* (Princeton, NJ: Princeton University Press, 1993).
- ¹⁷ Ranney, *Introduction*, p. 79.
- ¹⁸ See David Ricardo, *Principles of Political Economy and Taxation* (New York: Great Minds, 1996) which makes the most generally-accepted case for trade as wealth-creating.
- ¹⁹ Cato Institute, *Policy Report*, p. 18.
- ²⁰ Buchanan, “Equality and Human Rights,” pp. 73-74.
- ²¹ James M. Buchanan and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor, MI: Ann Arbor Paperbacks, University of Michigan, 1965), p. 190.
- ²² “Puerto Rico: Trouble on welfare island; overbearing government and the welfare state are hurting the United States’ poorest citizens”, *The Economist*, May 27, 2006, pp. 25-26.
- ²³ Tulane University, *The Freeman* (New Orleans, LA: Tulane University, Spring 2006), p. 9.
- ²⁴ Thorstein Veblen, *The Theory of Business Enterprise* (New York: New American Library Mentor Edition, 1958), p. 391.

²⁵ Colin Couch, “Key Debates in New Political Economy; Models of capitalism”, *New Political Economy*, Vol. 10, No. 4 (2005), pp.439-456.

²⁶ Couch, *Ibid*, p.