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### *Laissez faire* as religion

Robert Henderson

The enemy of rationality is ideology. By an ideology I mean a mental construct which consists of a menu of tenets which the adherent applies without regard to their utility or truth. The observance of the ideology becomes an end in itself. All ideologies are inadequate to a lesser or greater extent, because they are menus of ideas which are variously (1) incompatible, (2) inadequate descriptions of reality and (3) based on premises which are objectively false or at least debatable.

*Laissez faire* followers are ideologues par excellence. They fancy themselves to be rational, calculating beasts. In reality, their adoration of the market is essentially religious. They believe that it will solve all economic ills, if not immediately, then in the medium to long term. Their attitude towards Adam Smith's 'invisible hand' is akin to the quasi-religious worship that intellectual Marxists accord to the dialectic.

If there was something akin to the Lord's Prayer for the *laissez faire* congregation to chant it would run along these lines:

Our Invisible Hand  
Which art in the Market,  
Hallowed be Thy name .  
Thy economic Kingdom come  
Thy will be done In Earth,

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As it is in the Chicago School textbooks.  
Give us this day our daily profit  
And forgive us our losses,  
But allow us to dun  
Those who debt against us.  
Lead us not into patriotic temptation  
And deliver us from state intervention  
For Thine is the economic kingdom  
and the Market power and selfish glory  
For ever and ever  
Amen

Armed with this supposed objective truth, they proselytise about the moral evils and inefficiencies of public service and the wondrous efficiency and ethical outcomes of private enterprise regardless of the practical effects of their policies or the frequent misbehaviour of those in command of large private companies

Like the majority of religious believers, they are none too certain of the theology of their religion. (I am always struck by how often advocates of *laissez faire* lack a grasp of even basic economic theory and are almost invariably wholly ignorant of economic history.) They recite their economic catechism sublime in the concrete of their ignorance or vouchsafe their fidelity with declarations such as this:

‘Those of us who believe with every fibre of our being in the free market should not condemn anyone for discovering a new commercial opportunity to fill in the gap between the summer holidays and Christmas: but that does seem to be what Hallowe'en is all about these days.’<sup>1</sup>

‘Those of us who believe with every fibre of our being in the free market’ – as clear a statement of religious belief as you could wish for. The idea that one can have an emotional

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<sup>1</sup> Simon Heffer, ‘I find Hallowe'en frightfully frightening’, *Daily Telegraph*, 31 October 2009.

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relationship with an economic theory is distinctly odd: Marxism was never just that because Marx loaded it with the revolutionary struggle and other such emotional excitements. Any normal person will address economic matters pragmatically and be concerned with ends not the means to ends.

Like all religious believers, the *laissez faire* adherents have to continually stretch their ideology to accommodate pesky facts that clash with it. They are in a particularly difficult position at present because the banking crisis is the child of an extreme *laissez faire* policy followed by politicians with a consequent lack of public control and oversight. They try to hide from the fact that their god has feet of clay in various ways. Let us have a glance at the most popular of these denials of reality.

Take this statement by Ambrose Evans-Pritchard of the *Telegraph*:

'It is not a good moment for the poster-child of the flat-tax revolution, but those crowing the end of "Margaret Thatcher's Baltic Model" neglect half the story. Estonia's euro peg is anything but free-market. It makes Tallinn dance, awkwardly, to Frankfurt's distant tune. It stoked the boom by enticing people to borrow cheap at eurozone rates: it is now prolonging the bust...'<sup>2</sup>

Here we have the *laissez faire* equivalent of communists saying communism never failed because it was never tried. Evans-Pritchard is, of course, correct when he says that Estonia is not a kosher *laissez faire* paradise. This is unsurprising because no country has ever been such an economic Eden and none ever will, because it would require an anarchic situation to achieve true *laissez faire* and that will never happen. Therefore, in the eyes of the likes of Evans-Pritchard

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<sup>2</sup> 'Debt deflation laboratory of the Baltics', *Daily Telegraph*, 20 September 2009.

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*laissez faire* will never fail.

Then there is the barefaced *volte-face* without any acknowledgement that there has been one: 'City's growing influence may have been a bad influence on Britain'.<sup>3</sup> This from the *Telegraph* which has lauded the City to the skies until the credit crunch arrived.

Next comes the outright refusal to acknowledge what has happened:

'We had grown rather accustomed to singing the praises of free financial markets. The crisis threatens to discredit them. But this crisis was not the result of deregulation and market failure.'<sup>4</sup>

To this can be added the perversion of language to misdescribe that which does not fit the ideology. Here's a prime example with someone trying to bring public and civil society behaviour within the *laissez faire* fold: 'the non-market part of the free economy'.<sup>5</sup> 'Non-market part of the free economy?' As John Wayne remarked in one of his films to someone who challenged him to a friendly fight: 'I ain't ever heard of one o' them...'

Finally there is that old favourite when all else fails, the argument from authority. Edmund Conway provides a first rate example.<sup>6</sup> He enumerates the disadvantages of comparative advantage – an idea at the heart of *laissez faire* – such as reduced self-sufficiency and the dangers of a narrow economic base, but cannot bring himself to throw down his idol and concludes:

'Nevertheless, most economists argue that comparative

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<sup>3</sup> Tracy Corrigan, *Daily Telegraph* 23 July 2009.

<sup>4</sup> Niall Ferguson, 'There's no such thing as too big to fail in a free market', *Telegraph*, 5 October 2009.

<sup>5</sup> Philip Booth, 'What this year's Nobel Prize winners can teach the Conservatives', *Telegraph* 18 October 2009.

<sup>6</sup> 'Edmund Conway looks at the economic principle of comparative advantage', *Telegraph* 1 September 2009.

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advantage is still one of the most important and fundamental economic ideas of all, for it underlies world trade and globalisation, proving that nations can prosper even more by looking outwards rather than inwards.'

Comparative advantage is a good example of how wish-fulfilment trumps reality for the *laissez faire* believer. The iron logic of the idea is that each nation (or a region within a nation or even a supra-national region) becomes less self-sufficient because the notion demands that each region or nation concentrates on the economic activities at which it is most proficient and discards those at which it is inferior. That has the consequence of a nation or region being at the mercy of other nations or regions for essential goods and services. It is also liable for catastrophic structural unemployment because if the economic base is narrowed dramatically, changes in fashion or the emergence of a foreign competitor who takes your trade, the industry in which you have an advantage collapses. The narrowing of the economic base also reduces the opportunity of a society to advance. Look at much of the Third World.

In the 1840s and 1850s the likes of Ricardo, Bright and Cobden were urging Germany to forget about industrialising and concentrate on their 'comparative advantage' in agriculture. Does anyone honestly believe that would have been in Germany's interest?

Comparative advantage is a prime example of an intellectual (David Ricardo) getting carried away with an idea whose simple economical beauty blinds him to the fact that it is based on a chain of absurdities, namely, that there will always be free trade between nations, that wars will not intervene, that all nations will play the non-protectionist game, that there will never be scarcity of food or raw materials, that demand for products will remain stable.

But the difficulty for the *laissez faire* worshipper is much

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deeper than the absence of perfection or the failure of the real world to behave as *laissez faire* economics says it should behave. The theory is being based upon a lie. The lie is that the markets they call free are actually free. The natural end of a truly free market is monopoly or at least greatly reduced competition. For this reason all advanced states have anti-monopoly laws which interfere with the natural workings of the market. The market created is consequently not a free market but a state controlled one, and one which is controlled in the most fundamental way.

To that gross interference with the market may be added state granted privileges of limited liability, patents, copyright and trademarks and the varying tax regimes, laws affecting economic activity such as health and safety legislation and state institutions such as the police, defence and justice.

The problem with *laissez faire* as a modern economic theory is that it still holds firmly to classic economics. For example, it has long been howlingly clear that individuals do not act rationally in the sense that classical economists imagined and hence market efficiency as Adam Smith envisaged it – as the summation of rational individual decisions – does not exist. The existence of economic bubbles alone should have stopped it ever gaining credence. Yet the general thrust of *laissez faire* economics tacitly at least still rests on the idea that drove Smith's theory. Indeed, if this was not the case the *laissez faire* advocates would be reduced to the absurdity of saying the market produces rational and beneficial outcomes from behaviour which is frequently (in economic terms) irrational and damaging to the individual who engages in it.

If you want an example of one of Richard Dawkins' memes (mental viruses which capture the mind) at its most virulent, you cannot do better than the addiction to unbridled

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*laissez faire* displayed in the face of all the overwhelming evidence that its overall effects are pernicious.

This is an extract from a much bigger work, 'The most dangerous people in the world', which can be read at [http://groups.google.com/group/alt.politics.usa.misc/browse\\_thread/thread/cddd8122fa018f85](http://groups.google.com/group/alt.politics.usa.misc/browse_thread/thread/cddd8122fa018f85)

*Robert Henderson is a retired civil servant. His account of being harassed and smeared by the British state for the 'offence' of writing letters to Tony and Cherie Blair was in Lobster 45.*