Market for Ideas

Grégoire Canlorbe*

A conversation with Robert B. Ekelund

<https://doi.org/10.1515/me-2020-0016>

Received November 6, 2020; accepted November 6, 2020

Robert B. Ekelund is eminent scholar emeritus at Auburn University. Besides authoring *The Marketplace of Christianity* and *Economic Origins of Roman Christianity*, he co-authored with Robert F. Hebert *A History of Economic Theory and Method*, and with Mark Thornton *Tariffs, Blockades, and Inflation: The Economics of the Civil War*. He was interviewed by independent scholar Grégoire Canlorbe in June 2020.

Grégoire Canlorbe: You claim the mercantilist doctrine to have been first and foremost a rationalization of rent seeking—and the balance-of-trade objective a by-product of mercantilism rather than the primary motive for the latter. Could you come back to this subject?

Robert B. Ekelund: Yes, so-called “state policies” remain a rationalization of rent-seeking today as they do and did in any society when political or other institutions are able to grant privileges to individuals or groups at the expense of societal welfare. The book with my late friend Bob Tollison (*Mercantilism as a Rent-Seeking Society: Economic Regulation in Historical Perspective*, 1981) argued that there is no “state” interests, per se, but individual or group self interest molding and guiding economic policy within a polity. Rationalization of the balance-of-trade theory (or tariffs and subsidies) is merely an expression of a process of particular rent- or profit-seeking individuals or groups or institutions. Tollison and I argued that this approach describes mercantilism better than a rosary of so-called “characteristics” that evolved in the literature. This process was as alive in ancient Egypt as it was in medieval Europe under the aegis of Roman Catholic Church control or as it is in modern day United States or France.

Grégoire Canlorbe: After the Obama Administration’s commitment to drive America down the road to serfdom, many expected Trump to be a sort of Reagan on

*Corresponding author: Grégoire Canlorbe, Independent Scholar, Paris, France, E-mail: gregoire.canlorbe@wanadoo.fr

strong steroids—and to dismantle the socialist agenda of his predecessor just like Reagan did with Carter's. For now has Trump been up to this mission?

Robert B. Ekelund: Assessing the success or failure of any political administration is always difficult. Obama inherited a set of institutions—including a monetary policy of madness over the Bush years—and left a set for Mr. Trump. Obamacare, if that's what you refer to as a "road to serfdom," was merely an evolution to an inevitable single-payer Canadian/European medical system. One must look to the history of rent-seeking in medicine and all allied fields. Physicians demanded and received state (and then federal) regulations at the end of the 19th century to stabilize and increase their incomes. That tentacular control ultimately led to the limitation in the number of doctors, the number of hospitals and regulation of all ancillary fields, including medical insurance and pharmaceuticals. The number of physicians has not kept up with population growth; hence the March to some kind of "socialized" system. Such rent-seeking cannot be undone due to the institutionalization of profit-seeking interests. The damage that Mr. Trump's administration has done to the institutions of a free society dwarfs Obama's or any president before him. The deficit and debit (*before* the Covid crisis) ballooned under Trump. It declined under Obama. Trump's trade policies could not withstand the logic of Economics 101. His assaults on the freedom of the press and the freedom *from* religion would give Thomas Jefferson apoplexy. Trump's only mission has resulted in a March to tyranny and not one to socialism, although at some points they overlap. If Obama's policies were a road to serfdom, Trump's are a super-highway.

Grégoire Canlorbe: You have been highly active in the field known as economics of art. You have been as much involved in the historical study of the Catholic Church as an economic firm. How do those combined approaches enlighten the flourishing of painting and sculpture during the Italian Renaissance?

Robert B. Ekelund: The Catholic Church acted as super-national government prior to and during the Italian Renaissance. In the Italian case, the church supported those families who oversaw the Church's vast financial empire, especially the Medici's. (Italy was an agglomeration of political powers rather than a unified nation). These powers were competitive in all things, including art and scientific patronage. Artists also competed to become patrons of particular rulers and formed a stable of intellects and talents that reflected upon the glories of their supporters. Great art and sculpture were one result. (We find a similar situation in the high-stakes commoditization of art today among the uber wealthy). In addition to patronage the Church used various tactics—for example, threats to eternal salvation, a chief aspect of their monopoly—to obtain great art. Michelangelo's homosexuality

was used against him as a cudgel to complete the Sistine Chapel and other projects. His sublime productions for the Church may be looked upon as a kind of “penance.” Forgiveness of sins and special blessings were used in trade to get artists and sculptors to produce. Valuable emoluments in all fields from members at all levels of society were obtained in this manner. Why? Because the Church, at that time and place, had a monopoly on assurances of eternal salvation. It manipulated theology, marriage and usury, among many other policies, to maximize wealth and membership. The road to heaven was a toll road.

Grégoire Canlorbe: As a historian of economic thought you especially dedicated yourself to exhuming the pioneer contributions by Jules Dupuit and Sir Edwin Chadwick—in the respective fields of microeconomics and the economics of regulation. How do you sum up their work?

Robert B. Ekelund: Dupuit and Chadwick were pioneers for quite different reasons. My career-long study of 19th century engineers, the French engineer Jules Dupuit (1804–1864) in particular, yielded an astonishing result. In work joined by my friend and colleague Robert Hebert, we established that Dupuit had uncovered and developed traditional contemporary (neoclassical) microeconomics in its full measure before the mid-19th century. Our research is reported in *Secret Origins of Modern Microeconomics: Dupuit and the Engineers* (1999). Those inventions include standard market theory, monopoly theory including a sophisticated discussion of the degrees of discrimination, welfare theory, marginal cost pricing, spatial analysis, time and transport costs, and empirical economics. In short, the origins of partial equilibrium “Marshallian” economics are French, not British and they occurred *before* the middle of the nineteenth century. In contrast, my work on Edwin Chadwick, alone and with others, focuses on his prescient theoretical anticipation of the modern field of law and economics, including Coase’s analysis of social cost and proposals for franchise bidding in natural monopolies. While Dupuit and Chadwick studied different issues, their attempt to invent and integrate theory, institutions and policy analysis was astonishing for their time or in any time.

Grégoire Canlorbe: While Austrian economics endorses the law of supply and demand—the selling of any commodity, not necessarily at a profitable price, but at least at a price equalizing the supply and the demand which are linked to the aforesaid price—it claims to dismiss the ideal assumptions of neoclassical economics. Yet those assumptions—convex preferences, “perfect” competition, and demand independence—are seemingly the theoretical conditions under which the law of supply and demand is operative. How do you make sense of the Austrian position?

Robert B. Ekelund: I have sometimes noted that in some areas of economic theory the distinction between Austrian and neoclassical economics is a distinction without a difference. Marshall, and Dupuit before him, expressed a formal theory of supply and demand using *ceteris paribus* assumptions together with the factors you describe. The emphasis was on continuity in expressing demand curves and they are amenable to mathematical manipulation. Although standard neoclassical theory and Austrian theorists both emphasized rational behavior, the Austrian theories of demand and production featured discontinuities rather than continuities—a feature of both Marshallian and Walrasian versions of competition. When probabilities are added to the latter, prediction is possible. Thus, while both approaches to economic behavior are similar, the Austrian version eschews prediction in favor of description in analysing economic functioning. Thus, both versions of neoclassical economics reemphasize rational behavior and economizing but Austrian economics “do” economics differently than orthodox Marshallians.

Grégoire Canlorbe: You rightly point out the fact that Stuart Mill was the first to show how the law of markets—the profitable equalization between aggregate supply and aggregate demand notwithstanding the below-cost sales which may happen locally—was rendered inoperative in the presence of hoarding. In classical economics another acknowledged limitation to the law of markets lied in the periodic outbreak of entrepreneurial mistakes—by reason of factors such as the distorting of interest rates by excessive credit creation. How do you assess the pertinence and the originality of Keynes in this context?

Robert B. Ekelund: Hoarding does undermine the law of markets but only in a short run context. But what is the cause of hoarding? Not markets, but something like an invasion or a virus which causes an abrupt increase in demand and decrease of supply which temporarily makes price vanish. Hoarding may also be created by a sudden change in risk aversion. Spikes of entrepreneurial errors due to excessive credit creation also seems to undermine the law of markets, i.e., Say’s Law, but what is the cause of excessive credit creation? The British monetary debates tried to identify and fix this cause without much success. This is the economics that Keynes was taught. He apparently just assumed that such flaws were inherent to the market (a liquidity trap?) and the solution was exogenous, i.e. something the government should fix. That it was a short-term fix with deleterious consequences was not emphasized.

Grégoire Canlorbe: A well-known investigation on your part covers the ascent of Christianity in the Roman empire’s religion marketplace. Should Saint Paul be credited for giving a universal dimension to the nascent Christian message—a

pretension to welcome Pagans without asking them to join the Jewish community and to espouse its mores and national destiny?

Robert B. Ekelund: There is some truth to the statement that without St. Paul there would likely have been no Christianity, at least as we know it. That was due to his entrepreneurial skills which included at least in part a victory over St. Peter's belief that to become Christian one first had to be Jewish. This meant that non-Jews, courted by Paul's famous epistles, could become Christians without first converting to Judaism. Males would not have to undergo circumcision (as adults) to join the Christian faith. Apparently, this was an important element in the rapid early spread of Christianity and St. Paul certainly gave a universal dimension to the religion in this regard. Assurances of eternal salvation was the ultimate linchpin in the success of Christian monotheism. The apostles (broadly conceived), with Paul the most significant, were able to analyze that critical aspect of Christian religion.

Grégoire Canlorbe: Do you subscribe to the claim that the adoption of Christianity as a state religion was decisive in triggering the fall of the Roman empire? What may be the economic and politic interests leading nowadays the Catholic Church to promote ecologism and a variety of causes detrimental to the West?

Robert B. Ekelund: Geopolitical and other factors—"barbarian" invasions, the rise of Moslem religion, the general incompetence of Roman leaders in the first three centuries of Roman rule and the fragmentation of multiple deity worship by the early 4th century—all contributed to the fall of the Roman empire. However Constantine (306–337 CE), ostensibly goaded on by his mother St. Helena, made Christianity—composed of the then-most-popular texts—the official religion of the Empire. The growth and emerging political power of Christians were probably more influential propellants to Constantine. This gave him the power to loot temples and properties of the various "pagan" sects. Later emperors outlawed all other religions and Christian entrepreneurs (apostles) set out to Christianize the world. So, yes, Christianity played a role in the declension of empire, but it was not the only factor. The modern Catholic Church equates the teachings of Jesus to a kind of social democratic polity, one that underlines redistributions and respect for the environment. Right-wing groups, whose political and economic interests are all too obvious, oppose the Church whose grounds are chiefly theological and moral. That does not mean that economics does not underlie the latter as well.

Grégoire Canlorbe: You wrote about the socioeconomic realities of the American Civil War. Could you remind us of the outlines of your approach? Regarding the economics of the Crusades in the medieval era, what are the main facts which deserve to be highlighted here?

Robert B. Ekelund: Our approach to the American Civil War revolves around the use of basic economic analysis to reveal how blockades, tariffs and monetary matters were conducted on both sides of the War. The North had an overwhelming advantage in the terms of population and industrial development, but the struggle lasted far longer than anticipated by the North. One fundamental issue was that the South was at a disadvantage as a “confederacy” wherein the states did not present a united policy effort. Both economies resorted to the printing press, but the Southern economy was more adversely affected by inflation than was the Northern economy. Most historians focus on battles, armies, and generals to describe the outcome of the war. We emphasize the war at sea. Blockades are typically not very effective because of the incentive of higher prices on both imports and exports mean high profits, plus the possibility of adopting new technologies, i.e. blockade runners. However, in this case the Confederacy adopted policies that disincentivized the blockade runners. In 1864 the Confederacy passed trade legislation that prevented importing luxury goods, put price controls on other goods, and commandeered half of the shipping space on blockade runners. This ruined the blockade running business and the Confederacy began to experience severe shortages and increasing losses on the battlefield.

The medieval Crusades were (in part) a spiritual device to extend the monopoly of Christianity to Moslem-controlled areas of the East. But attending these organized wars the Church and Church interests received substantial revenue and rent flows. In terms of direct flows, the Church received revenues from tourism and relics. (St Helena initiated the relic hunt in her 4th century trips to the Holy Land). There was an impetus for cathedral building to house such relics providing awe and grandeur “capital” to members. Additionally, another direct revenue source from the Crusades was the “buy-back” of crusading vows by those who subsequently regretted their pledges. Excommunication was the alternative. Numerous indirect benefits to the Church were attached to the Crusades. Peace, order, and enhanced authority were benefits to society as well as to the Christian monopoly. For the individuals who participated there were spiritual benefits (remission of sins) and temporal benefits. Pillage and plunder of “infidels” was legitimized and classes of “warrior monks” (e.g., the Knights Templars, the Hospitallers, and the Teutonic Knights) emerged to fight the Church’s enemies and to spread potentially taxable membership.

Grégoire Canlorbe: Thank you for your time. Is there something you would like to add?

Robert B. Ekelund: I enjoyed the discussion. Clearly my interests in economics have been diverse. There is one strand that is woven through them—the application of microeconomics, including monopoly theory, industrial organization and law and economics, to a multiplicity of problems. Institutional change has also been a large aspect of my interest in the field. Economic issues are everywhere from the regulation of cosmetology to religion and art. I have tried to find interesting applications in these and other areas and to encourage my students to do so as well.