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THE AMERICAN "NEW ECONOMISTS"

A SCIENTIFIC AND IDEOLOGICAL REVOLUTION

Parallel to the New Left, whose influence on French public opinion is so pronounced today, a new academic movement has grown up in the United States in the last fifteen years. Its ideas are the portents of an intellectual and scientific revolution whose importance for the economic and political future of western society should be almost as great as the Keynesian revolution of the '30s.

This movement, whose point of departure is a new deepening of neo-classical microeconomic theories, does not have a name, properly speaking. No comprehensive work, not even in America, has yet been devoted to it. We shall call it "Neo-liberal," but we could just as well refer to it as the "School of Chicago."

Its origins date back to the 1950's, an epoch when there appeared a whole series of pioneering works broadening the field of application of economic analysis and econometrics: an explanation of discrimination (Gary Beckers' Ph. D. thesis written in 1955 and published in 1957); application of economic tools to the study of politics ("A Theory of Democracy," published by Anthony Downs in 1957); use of economics in the analysis of law and its evolution (the founding in 1958 of the *Journal of Law and Economics* by Ronald Coase), etc.

Translated by Susan Scott Cesaritti.

https://doi.org/10.1177/039219217702510012 Published online by Cambridge University Press

Today, this American "Neoliberal" movement spreads its influence through four main channels:

— the "monetarist" school;
— the theory of "human capital";
— the "property rights" movement;
— the "public choice" school.

Since the ideas of the monetarist school are relatively well-known, we shall limit ourselves to the three other currents, without losing sight of the fact that there exist close connections between them and the monetarist school.

THE THEORY OF HUMAN CAPITAL

The "human capital" theory dates its beginning in the 1960's. One can already find presages in earlier works, most specifically in Milton Friedman's doctoral dissertation (1945) which concerned "professional incomes." But it is only in 1962, in the *Journal of Political Economy*, that there appear the first explicit references to the modern human capital theory.

This human capital theory is the point of convergence of a whole series of studies conducted in the 1950's by economists from the Department of Economics of the University of Chicago and from Columbia University on subjects such as the analysis of "demand" for education, the functioning of the labor market, an explanation of activity rates for the female population, the origins of wage differentials, etc.

At the time, the originality of these works consisted in the fact that problems such as education or health were not considered as simple consumption analogous to the purchase of a toothbrush or an automobile, but as economic acts akin to investment decisions made by the household or individual. The British author Mark Blaug explains (in the *Journal of Economic Literature*, 1976): "The basis of the theory of human capital lies in the fact that it considers that people do not limit their economic activity to the decisions between different commercial products which the market offers them, but rather they make simultaneously a series of decisions between immediate consumption and future satisfactions of both a pecuniary and *non-pecuniary* nature. From this point of view, education, health expenses, and professional training are considered as investments analogous to the physical investments of a business, undertaken by individuals themselves or in their name by the community."

Here we find the key concept of the "life cycle" dear to the monetary school: the decisions of households are not limited to a choice between consumption or savings, but combine non-monetary factors (improvement of career prospects, hopes for social mobility) as well as purely monetary considerations (desire for income). This leads to two essential considerations:

—on the one hand, it induces the economist to deal with subjects which traditionally were outside the field of economic analysis and were left to sociologists, psychologists, or political scientists: for example, explaining human needs which up to the present were considered exogenous phenomena, or explaining certain *apparent* shifts in individual preferences by taking into account the "value" of time.

—on the other hand, the economist is by now in a position to explain social "inequalities" by a series of factors of individual choice (see for example the recent works on income distribution, a field in which economists had formerly not had much that was satisfactory to say; or, again, the new explanations of "voluntary" unemployment, which can be found in the "monetary" theories of employment and inflation).

The "human capital" field is today associated with names such as Theodore Schutz (75 years old), Jacob Mincer (55, Columbia University), Yoram Ben Porath (Harvard), Glen Cain (44, University of Wisconsin), Finis Welch (39, U.C.L.A.), Reuben Gronau (University of Jerusalem), Robert Michael (35, National Bureau of Economic Research), Zvi Griliches (47, Harvard), etc.

The most important of all is, however, Gary Becker. Born in 1930, currently professor at the University of Chicago after a number of years at Columbia, Becker is probably the most gifted economist of the generation under fifty years old. A number of people already see him as the equal of the greatest names in the history of economics.

Particularly prolific, author of basic works (*Human Capital*, published in 1964, *Economic Theory* in 1971), he is the undeniable father of three of the most important developments in the field of economic theory in the past dozen years: the theory of family economics, the enlargement of the application of economic analysis to non-market social relationships, and the new theory of consumption.

The Economics of Family: Beginning with education, health, or individual work behavior, the family and family activities are a natural zone of application of the human capital methodology: analysis of marriage considered as a voluntary rational choice, the fruit of a decision allowing the two partners to "maximize" their volume of satisfaction, compared to what their situations would have been if each had remained single; explanation of fertility rates by an analysis of economic factors which condition family decisions in the choice of whether or not to have a child, etc. The value of this research is especially due to the reintegration of endigenous population data into the working of the economic process within the framework of a method which permits, through econometrics, the reintroduction of quantifying elements (thus allowing forecasting) into a field which is *a priori* not quantifiable: love, for example, altruism, philanthropy, religious piety, etc.

The Economics of Non-market Relationships: The preceding leads to a general application of the economic approach to the whole of social activities and relationships, whether they have a market character (a purchase) or non-market (philanthropy, for example, or political activity). As Gary Becker himself explained on the occasion of a recent seminar held in Paris in September 1977:

> Economics is entering a third age. The first stage consisted of the idea that economics was limited to the study of the mechanisms of production and consumption of *material* goods, and did not go beyond that (traditional market theory). In a second stage, the field of economic theory was enlarged to the study of the totality of *market* phenomena, giving space to the relationships of monetary exchange. Today, the field of economic analysis stretches to the *whole of human behavior* and of the decisions which are associated with it. What defines economics is not the market or material character of the problem at hand, but the nature of the problem itself. It is a question of allocation of resources and of choice in the framework of a situation of scarcity characterized by the comparison of simultaneous goals.

Whence derives all the new generation, often surprising for the layman, of works applying the economic approach to problems such as criminality (Ehrlich, Ozen, Landes), the reasons for suicide (Hammermesh and Sass, 1974), altruistic behavior and social interaction (Becker 1974, Hirschleiffer 1977), religious attitudes (Azzi and Ehrenberg 1975), divorce, etc. Whence also the appearance of economic analysis in quite unexpected fields: the evolution of language (Marschak 1965), natural selection of animal species (Smith 1975), natural selection in human behavoir (Becker 1976, Tullock 1977), political behavior (see below, the "public choice" school), an economic theory of Revolution (Tullock), history of social institutions (see the theory of property rights), etc.

The New Theory of Consumption: Initiated in the many contributions by Gary Becker and given form most recently in the works of a 53-year-old Australian, Kelvin Lancaster, professor at Columbia, this new theory of consumption constitutes in itself a true intellectual revolution still practically unknown in Europe, even though it has large political implications. Filling the lacunae in the neoclassical demand theory, this new theory of demand is an extraordinary innovation which allows us finally to answer all those "antieconomists" who base their criticism of society on a so-called distinction between "true" and "false" needs, on the idea that the consumer is the slave of producers (through advertising), or on the fact that the proliferation of new products is proof of the suicidal character of our consumer society. Finally, this theory builds a bridge between economic analysis and management theory or marketing practices; it provides a skillful explanation of obsolescence or the birth of new products.

On the whole, these works lead to one main conclusion: namely that in the sphere of human behavior and decisions the role of irrationality is infinitely smaller than is generally believed or than the scholars of the other social sciences would like us to believe. As Gary Becker sums it up: "To speak of the irrationality of human beings is most often only an alibi on the part of scholars to disguise their incapacity to explain certain phenomena. What economic research is today in a position to contribute to the human sciences is precisely a tool for reducing this area of unknowns. In this respect, it cannot but be more effective than other traditional approaches of the social sciences in the degree to which, not recognizing irrationality (for economics, all that which is apparently irrational is only the consequence of an objective 'cost' that the experimentor has not yet succeeded in isolating), it keeps the researcher from accepting as final explanations which are not explanations."

THE PROPERTY RIGHTS MOVEMENT

The history of the theory of property sights is also associated closely with one man and one university. The man is Ronald Coase, a somewhat solitary Englishman, 67 years old, the founder in 1958 of the *Journal of Law and Economics*. The university is that of the state of Virginia, located in the birthplace of Thomas Jefferson: Charlottesville. Ronald Coase is currently professor of economics at the University of Chicago Law School, but he taught a number of years in Charlottesville (from 1958 to 1964), thus the label "School of Virginia," which is often used today to describe the intellectual movement associated with the theory of property rights even after its center of gravity was moved toward other university campuses such as the University of California (UCLA where Armen Alchian and Harold Demsetz teach) or the University of Washington in Seattle (with Douglas North, Steven Cheung and John McGee).

The origins of the property right theory go back to 1937, when Ronald Coase, at the time professor at the London School of Economics, published in *Economica* an article which has remained famous: "The Nature of the Firm." But the movement did not really take off until the '60's. It rests on four pillars which are: the concept of "transaction costs," the economic theory of law, a comparative analysis of the efficiency of economic organizations, and the application of economic reasoning to the study of history.

The Concept of "Transaction Costs." This concept is fundamental since Ronald Coase uses it to explain on the one hand the origins of the firm (his article of 1937), and on the other the true *raison d'être* of property (in another article from 1960).

The point of departure is the general theory of exchange and prices which states that the best social state possible is that which would produce a world where all decisions concerning the allocation of resources would be made within the framework of a system of voluntary contractual exchanges. This is the definition itself of a market economy.

But the market cannot solve all problems. The market is a costly mechanism. Trade is an act which costs the negotiator something: he must move about (to the "market" for example), inquire about the quality and price of the various products offered, test the product . . . all these exact a cost in energy, information, time.

For certain well defined and naturally rather standardized products (apples, oranges . . .) there is no problem. The transaction costs borne by the two parties to the exchange are negligible. But the more complex an economy becomes, the higher become the costs of transactions and the more the market becomes a mechanism which is "expensive" to use compared to other forms of organization (based on command rather than exchange). At this point appears the firm: the firm is an institution which takes the market's place in the conduct of certain transactions whose costs would be too high if one had to resort to exchange pure and simple. It is a source of social "savings" and thus improves the wellbeing of society as a whole.

This approach to the notion of the firm leads to a new way of evaluating the costs and benefits of concentration which contradicts the majority of the principles on which our "anti-trust" policies are based today. In this respect, one of the characteristics of the theory of property rights is that it has led American law schools to hire an increasing number of professional economists: for example Yale Brozen in Chicago, Charles Goetz in Charlottesville, Roger LeRoy Miller in Miami . . .

The Economic Theory of Law. Exchange in the market place is society's most efficient mechanism for the allocation of resources. But, in order for it to work, it is still necessary that those who trade have precise, exclusive, and freely transferrable rights of property over what they are exchanging.

This leads us directly to the economic theory of law. For economists of the property rights movement, Law is nothing more than a social activity whose aim is to increase the economic surplus through the drawing up of rules which *lower transaction costs*. These rules can either apply to the assignment of new property rights in those areas where property rights were insufficiently defined (by facilitating exchange, the assignment of new property rights frees human and social resources which can then be used in other activities where their benefit to society will be higher); or they can help exchange and trade by enforcing a number of common measures and standards (an example is the regulation of weights and measures in medieval trade fairs; another is commercial and corporate laws, the effect of which is to reduce the transaction and organization costs of commercial and industrial firms compared to what they might be if no rules existed).

Law is thus interpreted as the "production" of institutions whose role is to help citizens to save on resources which in a situation of anarchy (in the sense of a universe without laws), they would devote either to entering into contact with each other or to fighting each other in order to secure the use of scarce resources.

Once again, this very theoretical discussion leads to important practical conclusions; especially the fundamental idea that our problems of pollution and overcrowding are not the result of the free-market logic, but of an *insufficiency* of property rights governing the use of natural resources which have become scarce, and thus that their solution depends on the creation of new sets of property rights (a creation which itself depends on technological and institutional progress which will allow us better to assign rights which today are difficult to individualize).

A New Approach to the History of the Western World. One of the most important consequences of this new property rights approach is to lead to a renewal of historical analysis through economic theory. How did individual property appear in post-feudal Europe? How can we explain the birth of the modern nation-state? Why did England evolve towards a constitutional monarchy while France and Spain sank into absolutist regimes?

What are the origins of capitalism? These are the sort of questions that Douglass North tries to answer using economic tools in his work *The Rise of the Western World*.[1]

Modern history's economic approach shows especially that the origins of the Industrial Revolution are to be sought less in a technological accident than in the slow gestation through the ages after feudalism of a system of institution and property laws which permitted the exploitation in an ever more efficient fashion of individual motivation to assure the orientation of capital and energy toward activities which are most useful for society.

The Comparative Study of Organizations. The firm, we have seen, is a sort of market surrogate, acting as its substitute when it is not in a position to function efficiently. But, for this substitution to be justified, the firm itself must function efficiently and the decisions that are made must be those which correspond best to the collective interest. This leads to an interest in the *internal* functioning of the firm and brings to the fore another aspect of the theory of property rights: the study of the effects of different structures of property rights on human behavior—as illustrated by the works of men like Evsey Domar (today at MIT), Errik Furobotn and Svetosar Pejovich (specialists in self-management, at present professors, the former at the University of Texas, the latter at the University of Ohio).

These works are as yet little known in France. Nonetheless, they are extremely important. Based on a typology of organizational structures which uses as criteria for classification the degree of *real* control exercised by the firm's owner or owners on the decisions made by the managers (capitalist firms with majority stockolder, "managerial" corporations, cooperative or non-profit organizations, self-managed firms, public or state-owned businesses, etc. . . .), they remind us that what counts for society is not the *formal* manner in which the various property rights are arranged within the firm, but the manner in which these formal structures do or do not allow elements of the firm who are not part of the capital to appropriate unduly a greater or lesser part of the firm's profits.

[1] Cambridge University Press, 1973.

In this view, the theory of property rights succeeds in demonstrating that the individual business offers the maximum guarantee of efficiency since it is the one in which the holders of capital are most motivated to avoid undue misappropriation of profits; conversely, the public firm is the one most likely to reveal itself the least efficient for society because no longer is anyone *individually* the owner of its products.

This comparative theory of organizations leads to a study of the technostructure which shows that the power of managers is directly linked with the existence or non-existence of an active and dynamic stock market (this means that it is not by "nationalizing" businesses that one will reduce managerial power.) It also reveals the limits of self-management.

THE PUBLIC CHOICE SCHOOL

The last component of the "neo-liberal" movement is the Public Choice School, whose leaders are two professors at Virginia Polytechnic Institute, co-founders of the Center for Public Choice: James Buchanan (58 years old) and Gordon Tullock (55), two men whose boldness of thought, originality of work, and wealth of knowledge place them, like Gary Becker, in the front ranks of great contemporary economists.

Closely tied to the property rights movement—James Buchanan and Gordon Tullock began their association at the end of the 1950's, when they were both professors at the University of Virginia—these two authors are at the origin of a revolution in the concept of "public choice." A revolution which reintegrates into one theoretical approach two areas of study traditionally isolated by the interdisciplinary compartmentalization between economics and political science: on one side the study (normative) of the mechanisms of collective choice (or how to spend the state's money), on the other the study (objective, or "positive") of decision-making processes which in our societies determine the distribution of public monies.

In other words, "Public Choice" is concerned less with calculating the economic and financial impact of tax or public spending policies (the usual field of "public finance") than with:

—looking for the relationships between political institutions and economic optimum: to what extent will this or that political organization, this or that electoral system favor or not social efficiency?
—developing an economic theory of bureaucracy; what is the typical behavior of bureaucrats? What are the consequences on the allocation of society's resources and their efficient use?
—studying in depth the logic of parliamentary political systems.
—identifying the economic factors which explain the historical process of political institutions: exploration in the notions of State and of social legitimacy, modern theory of "social contract," attempts at defining the concept of "Justice."

"What we want," explains James Buchanan, "is to apply to the State and to all the mechanisms of public economy exactly the same techniques as those which have been used for forty years to record the failures and shortcomings of the market economy. 'Public Choice' is nothing more than an effort at formulating a general theory of public economy which allows us to do in the area of collective choice what has long been done at the level of market microeconomics. This means supplementing the theory of production and exchange of goods or services with an equivalent theory for political markets. This theory aims at developing new models of social behavior which do not treat the mechanisms of decision making in a different manner according to whether the individual acts in a commercial market or a political market."

Thus defined, "Public Choice" is a scientific movement whose origins, like those of "Human Capital" or the theory of "Property Rights" go back to the efforts made in the 1950's to widen the use of economic methodology to the field of *non-market* behavior. Straddling economic research (use of econometric models), political science (the comparative study of electoral systems), sociology (examination of the logic of behavior), and philosophy (research in the logical foundations of the notion of "freedom"), it embodies well the recent progress economic theory has made toward areas that until now had been foreign to it.

Even less well-known in France (but better known in England and in Germany), based on a systematic use of the concept of "information costs," the "Public Choice" school brings new ideas for explaining the growth of governmental or bureaucratic institutions, and especially two key ideas:

1) First of all the idea that the problems of our societies (inflation, unemployment, sensitivity to inequality and injustice, the growth of protest movements) reveal less a failure of the market economy than a failure of our political institutions. Built in the last century within the framework of a political technology suited to the social conditions of the industrial revolution and having hardly evolved since then, they are in effect undermined by a fundamental internal imbalance (concentration in the distribution of the benefits of public action, dilution in the distribution of its costs) which makes our societies prisoners of a logic in which the State can only grow and develop to the benefit of a privileged category of citizens: the bureaucracy.

2) Next, the idea that the challenge of our era is not economic (to find new miracle cures to solve the famous inflation/unemployment dilemma), but rather institutional and political: to imagine a new political technology, new modes of democratic expression which, by doing away with the imbalances of current systems, help check the continual ascent of bureaucracy.

A SCIENTIFIC AND IDEOLOGICAL REVOLUTION

After this brief examination of the characteristics of its four great components, we shall try to ponder what is the true meaning of the "Neo-liberal" movement, making its emergence one of the great intellectual events of the 70's. Thus we shall examine it on three grounds: the scientific, the ideological, and the political.

On the scientific level, the Neo-liberal movement represents an effort at renewing and going beyond neo-classical micro-economic theory.

Everyone who has studied some economics knows that traditionally "micro-economics" (the theory of the firm, of prices, the market, perfect, imperfect, monopolistic competition, etc.) is opposed to "macroeconomics," which is based on the study of the national aggregates (savings, consumption, investment, growth . . .). After Keynes' ideas became popular immediately following the war, "macro" became the king of economic disciplines, to the point where today when one speaks of an initiation into economics, one always refers to macroeconomic theories. The originality of the Neo-liberal movement is to foster a return to "microeconomics" within the framework of a new approach which identifies microeconomic theory no longer solely as the analysis of the determination of quantities and prices in a market economy (the traditional textbook definition of microeconomics) but as a much larger concept: *a general theory of choice and human behavior within a system of social interactions.*

This widening of the concepts of microecomomic theory doubtless does not mean a great deal for the layman. However its implications are considerable.

The comeback of microeconomic analysis is based on innovations that practically nullify the majority of criticisms traditionally made against neoclassical economic models. These, we are told, are based on hypotheses and reasoning too far away from reality to be valuable and useful for any practical purposes—they are remarkable intellectual constructions, but unfortunately they have nothing to do with "life." These criticisms were valid about fifteen years ago, and they are still valid for the models which appear in most textbooks, but they do not take account of the progress made since the end of the 1950's by disciples of the School of Chicago in the areas we have mentioned. To continue, as is often done, to attack the foundations of free-market society on the basis of the lacunae in neo-classical economic theory makes no more sense today than condemning contemporary medicine on the basis of medical theories dating back to before the invention of the microscope.

The new micro-economic models, while fitting into neo-classical tradition, no longer have much in common with the models which serve as targets for the blasts of "anti-economists" or of those who, even within the liberal camp, do not miss a chance to denounce the gap which exists between economic theory and daily economic practice.

Let us take as an example the denunciation of the limits of economic analysis on the basis of the fact that its models presuppose that the agents to a transaction are completely and freely informed. This accusation no longer has any concrete weight today, in that, as we have had occasion to remark, the very concept of "information costs" is at the heart of the new theoretical constructions both of the theory of property rights and of the neoclassical analysis of political systems.

Or let us take the idea that neoclassical models have a limited application in that, being based on the "general equilibrium" concept, they leave out all reference to the "human" dimensions of economic life, especially in ignoring the heart itself of economic dynamics: the entrepreneur. Here, too, criticism which earlier was justified is not so any longer, since most of the works to which we have referred are founded on the rehabilitation of the central role of the "decision makers" (with an extensive use of games theory) within the framework of an approach to market economics which henceforth poses the problem more in terms of dynamic processes than in terms of a static equilibrium (as was formerly the case).

This expansion of microeconomic concepts leads to a *bursting* of the interdisciplinary boundaries between the different social sciences. In the view of the economists who gravitate around the School of Chicago, economic analysis is no longer only a particular discipline of the social sciences, applicable within a specific area of human activities and relationships (market and monetary relationships). All their works tend to place in question the traditional division of work among the social sciences—political science, sociology, psychology, anthropology, economics—and to show that micro-economic theory is a *scientific tool* whose area of application far surpasses the limited sphere of purely "economic" problems (in the usual meaning of the term).

All things considered, the dominant characteristic of the Chicago School is that it is at the origin of an undertaking demonstrating that it is henceforth possible to apply the scientific method (analysis, theory, empirical verification of the hypotheses) to an entire series of problems and areas which up to the present had resisted all efforts at theoretical quantification.

On the ideological level, this scientific approach to economic theory turns upside down liberal prospects for development.

All these micro-economic works constitute a sort of gigantic effort at empirical verification of "homo economicus," the simplified model of the individual as evaluator, inventor, and maximizer, which serves as a basis for all economic analysis. Now we must not lose sight of the ties that exist between the political doctrine of "liberalism," capitalism, and the scientific paradigm which serves as a base for all economic theory. Basically, "liberalism" is nothing more than a philosophy of organization of the social sciences founded on a certain view of human behavior: the "economic" view which sees man no longer as a monster of egoism, but simply as a "rational individual" who makes coherent decisions as a function of his preferences or of problems of choice or decision imposed on him by the scarcity of the resources available. Consequently, everything that contributes to reinforcing the scientific validity of this instrument for analysis which the "economic model" of the human being represents strengthens the structure of liberal doctrines and constructions (especially the entire theory of the *market* which rests on the key concept of exchange between rational individuals).

Up to the present time, the fact that economic analysis was applied only to material choices succeeded in depreciating the value and the credibility of the liberal paradigm to the extent that it was easy to denounce the fragility and limits of a political philosophy based on a view which reduced the whole man to one dimension as producer-consumer of market goods. Beginning with the moment in which it is demonstrated that the system of economic perceptions and analysis has an explanatory value at least as great in the many other areas of human behavior and decision-making of a non-market and non-material character, the situation changes completely. Thorough scientific analysis gives a new dimension to liberal ideology. Defense of the latter is no longer the result of an "a priori" political concept or the fruit of dogma, juggling with concepts whose rational origins have often been forgotten. *It becomes the conclusion of a scientific procedure which permits the substitution of the force of an experimental approach for ideological arguments*. Thus it is not sheer chance that, among the neo-liberal economists whose names were cited above, a goodly number are often former Socialists or even former staunch Marxists who were converted to the market economy and capitalism solely on the basis of scientific work.

On the political level, the works and studies of these American neo-liberals offer two interesting aspects:

They are responsible for the appearance of a body of scientific literature which, based on the use of modern techniques of "cost benefit" analysis, represents a strong challenge to the so-called social blessings of modern Providence-States: estimating the *true* results of all the great social programs which since the Kennedy era have cost the American treasury billions of dollars: the war on poverty, urban renewal, racial integration, social security . . . analyzing the real efficiency of the many federal agencies which for fifteen years have choked American businesses with an ever tighter collar of social and economic controls, to the point of giving the United States' economy an aspect which in the last analysis is very little different from that of our European mixed economies: the Federal Trade Commission, Food and Health Administration, Consumer Product Safety Commission, Occupational Safety and Health Administration, etc.

They are based on a diagnosis which concludes that the most shocking ills of our society are linked not with an excess of free-market, but on the contrary with not enough free-market. If the West is ailing, as they say, if its rivers become sewers, if its cities are uninhabitable, if poverty and misery survive despite a global rise in the standard of living and political efforts at redistribution . . . this is not because our society is capitalist, but, on the contrary, because it *is not* and has never been really capitalist.

In their eyes, it is not capitalism or the market economy which should be put on trial today, but the State. And this is for a precise economic reason; the presence of a strong, dominant, omni-interventionist State ends up by making it more profitable for citizens to try to manipulate the state than to base their relationships on voluntary exchange.

THE LIBERTARIANS

In this respect, one of the outcomes of this attempt at renewal of modern economic thought is the appearance, on the American political chessboard, of a new ideological movement, the "libertarian movement" which at the moment represents only a very small fringe of marginal intellectuals, but which has the originality of effecting an astonishing reconciliation between a libertarian doctrine of a clear protest inspiration (freedom of access to drugs, refusal of the draft, international neutrality . . .) and a frenzied argument for the re-invention of free-market society based on the most literal *laissez-faire*. Often with very close ties to the "radical" philosophy of the New Left—denunciation of "monopolistic State capitalism"—these Libertarians feel that the very existence of the State is the ill against which they must fight. Their long term goal is the disappearance of the State; but within the framework of a social system in which all public functions will be made private—from which derives the label of "anarcho-capitalists" claimed by some of their leaders such as David Friedman (35 years old), son of the Nobel Prize winner.

The "neo-liberal" or School of Chicago economists do not all belong to the Libertarian movement, far from it. On the contrary, a number of Libertarian militants challenge the neo-classical teachings of the School of Chicago, which they accuse of being too open to the idea of the existence of a State (for example those who, gathered around economists such as Murray Rothbard, Ed Dolan, Israel Kirzner, M. Lachman . . . form what is called the "Neo-Austrian" school). In this sense, we must make a very clear distinction between what is, on the one hand, a movement of strict scientific analysis, and on the other, a purely ideological and political movement which, like all ideological movements, does not refrain from some "utopian" exaggerations.

But it is a matter of fact that an important number of neo-liberal economists do not hide their sympathies for libertarian points of view, while, inversely, the libertarian movements owe a large part of their present energy on the one hand to the prominent influence among their members of young undergraduate or graduate students of the masters of Chicago, and on the other hand to the rejuvenation of the individualistic paradigm to which the works of the neo-liberal economists led.

In conclusion, one could ask whether the growing influence of the messages coming from the Chicago School is not initiating a political process somewhat analogous to the one which was launched two centuries ago by the publication in England of the works of Adam Smith. It took more than half a century for the economic liberalism of Adam Smith, in the face of the corporatist Nation-

State of that time, to begin to translate itself into fact and become the dominant form of political thought.

Perhaps we are present now at the birth among American economists of the new Liberalism of tomorrow, founded on a rediscovery of a general theory of Capitalism.