

Entangled Political Economy: A Keynote Address

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Abstract

This essay is a keynote address prepared for a conference on “Entangled Political Economy” sponsored by the Wirth Institute. In keeping with the conventions of such an address, I look both backward and forward while placing more emphasis on looking forward. In looking backward, I compare and contrast two orientations toward political economy: additive and entangled. In looking forward, I explore some of the analytical challenges that confront efforts to pursue a vision of entangled political economy. While these challenges are substantive in character, those efforts necessarily rest on methodological presumptions. Accordingly, the paper opens by reviewing some of those methodological presumptions before turning to the substantive articulations and challenges.

Keywords: entangled political economy; additive political economy; centralized mindset; conflicting rationalities; architecture of governance

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A keynote address conventionally resembles a Foreword or Preface to a collection of essays. Each essayist pursues his or her topic, and the task of the keynote is to supply a thematic statement that provides orientation toward the several contributions. This piece is written with that convention in mind.

Entangled political economy is a theme with which I have wrestled in quite a number of publications over the past decade or so, and in doing so have used such terms as post-classical political economy, disjunctive political economy, knotted political economy, and entangled political economy. Despite this linguistic experimentation, the animating idea has remained constant and has two main strands of thought. One strand is that the marginal revolution in economics has been more negative than positive, save for the line of thought set in motion by Carl Menger (1871, 1883), because it led to the replacement of economics as social theory with economics as a theory of rational choice (Wagner 2010). The other strand is that contemporary political economy reflects the infirmities introduced by the marginal revolution in creating an inapt conceptualization of its object.

As an object of inquiry, “political economy” denotes some type of relationship between the two simpler objects denoted as polity and economy. The central problem that arises immediately is that neither of these objects are directly apprehensible by a theorist. To apprehend those objects requires some preceding act of theoretical articulation, about which choices exist. Before

exploring substantive matters relating to entangled political economy, I shall consider some of these methodological matters. The remainder of the paper explores aspects of entangled political economy, paying particular attention to how this orientation differs from the additive orientation that is a by-product of the marginal revolution.

1. Political Economy: Some Methodological Preliminaries

Any theoretical effort entails a theorist who theorizes about some object that the theorist apprehends. When people speak of political economy, they must have an object in mind that is some compound of the simpler objects commonly denoted as polity and economy. Someone who studies economics studies an object denoted as *economy*; someone who studies politics studies an object denoted as *polity*; and someone who studies political economy studies an object that is somehow formed from those simpler objects, polity and economy. No one has observed an economy or a polity, so certainly no one has observed the object denoted as political economy. Yet people continually refer to economy, polity, and political economy. In making such references, those theorists are unavoidably creating their objects through theoretical articulation and then theorizing about some properties or qualities of those objects after the fashion of the prisoners chained to the wall in Plato's allegory of the shadows on the cave.

The object of interest for all social inquiry is the entity we denote as society, or some aspect of it. There are, however, alternative analytical paths along which to conceptualize that object. One path offers conceptualizations in

terms of states of being or existence at some instant of observation—as snapshots; the other path offers conceptualizations in terms of processes of becoming or development over some duration of time—as films. These alternatives are not contradictory, but they do involve a choice between foreground and background. One can recognize with Ecclesiastes that there is nothing new under the sun while relegating that observation to the conceptual background because the foreground is occupied by Heraclites’s observation that a person cannot even step twice into the same river. Entangled political economy is Heraclitian in character, while orthodox or additive political economy is Ecclesiastian. Both frameworks can be reconciled, as illustrated by the aphorism: “the more things change, the more they stay the same.” All the same, the relation of foreground to background asserts precedence for entangled political economy while also directing analytical attention in a different direction similar to Rescher’s (2000) treatment of process philosophy.

With respect to this different direction, we should reflect for a moment on that joke about the economist who was seen looking for his lost car key beneath a lamppost. When asked if he was sure this was where he lost the key, he answered that it wasn’t; however, there was no light where he lost the key so his only option was to look where the light shone. Judged by the murmurings I have heard in the room when someone has told that joke, I judge that I am not alone in thinking that that joke tells an uncomfortable truth. The alternative to continuing to look under the light is to try to construct an alternative source of light where it is thought that the key might have been lost. In my estimation, orthodox political

economy, as economic theory generally, looks where the light presently shines. In contrast, entangled political economy seeks to construct illumination where it is thought that the key might actually lay.

On several occasions I have invoked a comparison between a parade and a crowd of people passing through a piazza. Both are orderly social configurations, but their properties are different as are the sources of their orderliness. The parade might be a mile in length and contain 5,000 participants. The people in the piazza might likewise number 5,000, and the piazza might occupy the same amount of territory as the parade. To say that each configuration is orderly means simply that participants can operate effectively within each configuration. No one, however, would mistake a parade for a piazza. Ontologically, these are distinct objects with different sources of orderliness, and so call for different analytical frameworks. A parade can be reasonably modeled as a form of equilibrium and so can be readily reduced to an entity with point mass status. Even though the parade is a mile long with 5,000 participants, nothing is lost by treating it as a point that moves along some announced direction at three miles per hour.

While the piazza covers the same amount of space and has the same number of participants as the parade, the piazza is a different kind of social object than a parade, and must be examined within a suitably different analytical framework. The piazza is not reducible to point mass status because the participants are traveling in different directions, as well as spending different lengths of time in the piazza. For the parade, orderliness resides in such things

as the marching and musical abilities of the members, the organizational and directional talents of the parade marshal, and on the amount of time the participants give to rehearsal. None of these attributes, however, has anything to do with the action inside a piazza. The orderliness of the piazza is rather governed by such things as the ability of people to infer other people's intentions so as to adjust walking speeds to avoid collisions, a desire to avoid treating other people as bumper cars at a carnival, and general adherence to principles of courtesy and conventions on which side of a path to walk.

A choice between theoretical frameworks is typically posed on epistemological grounds by asking which framework fits better some given set of observations. Yet those very observations have been selected with some theoretical framework necessarily in the background if not in the foreground. If the frameworks suggest different types of relevant data, a choice between frameworks cannot be made just on the basis of goodness of fit (Ziliak and McCloskey 2008) but must be suitable in light of the nature of the object being analyzed, as Lawson (1997, 2003) explains in his treatments of ontology and economic theory.

Consider a simple model in the spirit of Schelling (1978) and Resnick (1994). There are 100 people standing in a field that is marked by small squares. The people constitute a form of society in that its members act according to a principle of proximity: one never moves closer than two squares to a neighbor and one never allows more than four squares to arise. To point toward substantive content, each person might occupy some point in abstract

commercial space. In spatial terms, this crowd represents a stationary equilibrium. From this point of departure, suppose there is a sequence of two-step actions. The first step involves five people changing commercial location as acts of entrepreneurship. The second step involves responses by the other 95 as required by the principle of proximity. Allow that process to proceed indefinitely. By epistemological standards of 5 percent significance, it is impossible to reject the claim that this social configuration is a stationary equilibrium that is subject to exogenous shocks followed by restoration of equilibrium in light of the new data.

This epistemology, however, is wrong by ontological construction. The entity is not stationary and hit by occasional shocks that induce subsequent adjustment. The entity is a moving organism, with the direction of movement set by entrepreneurs seeking new opportunities. Entrepreneurship is a quality of the social system and not a shock from outside the system. Epistemological principles of goodness of fit might suggest that static equilibrium is a suitable characterization of this society, but it isn't. For the society is in motion, and with the direction of movement set by entrepreneurial adventurers, much as Schumpeter (1934) explains that entrepreneurship is the situs of leadership in a capitalist society. To treat the object as stationary and subject to exogenous shocks is to misrepresent the nature of the object, essentially by mistaking background for foreground. Once the object is misunderstood, mischief can easily follow, as illustrated by reducing politics to the selection of a parade marshal.

Consider again the comparison of a parade and a crowd of pedestrians, but now change that crowd to a set of spectators leaving a stadium after a game. To further clarify the scene, suppose the stadium is horseshoe-shaped and situated alongside a bend in a river, leaving the open side as the only way out. After the game, the spectators pour out of the stadium and head down the boulevard toward parking lots a mile away. Someone watching this exodus while hovering in a balloon two miles above could easily declare this object to be an *imperfect parade*. It would certainly resemble a parade in featuring people moving in orderly fashion down the boulevard. But it wouldn't be as good as the Macy's Parade on Thanksgiving Day or the Rose Parade on New Year's Day. It would be an imperfect parade. Not everyone would be in step. Some people would walk faster than others. Some people would move diagonally rather than vertically. The reduction of an economy to a static equilibrium is to treat an economy by the image of a parade and not a piazza. Politically directed effort to make the crowd look like a better parade is clearly capable of changing the look of the crowd when seen from above, and yet is incapable of converting that crowd into a parade. Such effort, however, is capable of generating much disruption and adverse reaction, which, to be sure, may well elicit heightened calls for increased force to try to convert the crowd into a parade.

A reasonable political economy, entangled if you will, should have as its object a pedestrian crowd and not a parade, rendering society a crowd of parades, as it were. Table 1 illustrates the distinction in terms of five dichotomies pertaining to qualities attributed to the object denoted as political economy. The

orthodox framework treats society as naturally placid, while the alternative framework treats it as naturally turbulent (Wagner 2012c). Within the orthodox framework, change comes as exogenous shocks accompanied by equilibrating responses to the new data. Within the alternative framework, change is an indigenous attribute of societal processes. In the orthodox framework, polity is external to economy; in the alternative framework, they reside inside each other. The orthodox framework arises out of a treatment of economics as a science of rational choice, where society is merely a landscape on which people act to supply inputs to the market and to take away products from the market. The alternative framework treats economics as a genuine social science which has as its object society, which in turn is not reducible to some representative or average chooser. The orthodox framework reduces quality to quantity through a universal utility function; the alternative framework keeps qualities alive through lexicographic ordering (Yang 2001: 24-30; Pirsig 1974).

2. Additive Political Economy

By additive political economy, I mean a scheme of thought where economic equilibrium is conceptualized prior to political activity, with political activity then modifying that equilibrium. This scheme of thought is illustrated masterfully in such works as Drazen (2000), Persson and Tabellini (2000), and Besley (2006). An economy is conceptualized as an equilibrated entity, which allows it to be treated as possessing point-mass status. A polity is conceptualized as a unified locus of power that stands apart from economy and acts on economy

to shift its equilibrium. The action in this scheme of thought is sequential: the first draft of the manuscript of social life is written within economy, while it is within polity where the manuscript is revised--whether perfected or worsened depends on who is asked to render judgment.

In the formulations of welfare economics that preceded public choice, the political entity was presumed in all respects to stand outside the economy, intervening into economy from some Olympian location. Public choice sought to bring the polity down to the ground level by postulating that political figures have the same talents, limitations, and interests as commercial figures. The initial thrust of the public choice formulations led to the emergence of political failure as a parallel term to market failure as summarized in Mitchell and Simmons (1994) and updated in Simmons (2011).

Starting perhaps with Becker (1983) followed by Wittman (1989, 1995), a growing chorus of scholarship in political economy has come pretty much to abolish political failure. The vehicle for this abolition is electoral competition. This competition is treated as one where candidates make proffers to voters in the form of platforms. The winning candidate is the one who attracts the most support. With uniform distributions of preferences throughout the conceptualized issue space, the winning candidate will be the one whose platform is closer to that desired by the median voter. It is further commonly presumed that candidates will fulfill their promises to create a good reputation for future elections. In these types of frameworks, a government's budget constraint can be denoted as $t \cdot Y = P + R$, where t is an average tax rate, Y is the income base on

which the tax is applied, and P and R are the objects of government expenditure. Within this formulation, P denotes spending on public goods while R denotes spending on rents for politicians.

Under what would seem to be the reasonable presumption that people value public goods but not rents for politicians, the nearly inescapable conclusion is that electoral competition will tend to yield zero rents. As compared with a politician whose platform contains rents, a politician whose platform offers fewer rents will capture more votes, provided only that voters value public goods but not political rents. Should voters have preferences among politicians independently of their platforms regarding public goods, some rents can be consistent with equilibrium. Those rents, however, would be limited by the intensity of this preference differential. Electoral competition will generate outcomes in the neighborhood of Pareto efficiency even if it doesn't arrive exactly at Pareto efficiency.¹

Figure 1 illustrates the additive scheme of thought. It resembles a billiards table, and this image is apposite because the framework runs in terms of a political entity, P, acting upon an economic entity, E, to shift that entity to some alternative location. Following the customary left-right markers, the party of the left proposes to shift the economy in the leftward direction to E^L , while the party of the right proposes to shift it rightward to E^R . There are several notable features about this framework that are relevant to a comparison with entangled political

¹ Actually, rents in this case wouldn't truly be rents but would rather be a payment for a service: this is the amount the median voter would pay to be able to watch and listen to this politician relative to the alternative politician.

economy as an alternative conceptual framework. One is that both economy and polity are single entities. An economy is reduced to this status through the presumption that it is in a state of equilibrium that will persist without outside shock. In the framework of additive political economy, that outside shock is supplied by polity. In this formulation, the participants in economy are members of a parade. Polity is the source of power that directs the parade, with the holder of that power designated as median voter within models of democratic regimes.

The simple model depicted in Figure 1 reduces the world to a single two-person interaction. A median voter is stuck at E , an election determines where that voter would rather be, and the winning candidate shifts the voter to that alternative position, either E^L or E^R . It is no wonder that the new additive political economy concludes that electoral competition generates Pareto efficient allocations, for it is really impossible to conclude anything else without presuming that the median voter wants to act charitably toward the politician by countenancing the enjoyment of rents by the politician. But then we are not talking about rents, and are back in the world of Pareto efficiency once again.

A cursory inspection might leave this formulation seeming reasonable, for it does show politics as acting on economy. Careful examination, however, shows that this formulation ignores many matters of potential significance, and must do so because there is no way this formulation can address such matters. A parade marshal acts on a parade as a unit; a parade marshal can change a direction of march in an instant. An economy is not a single entity but rather is a congeries of entities that are pursuing different plans. And polity is not some

unified source of power but rather is a collection of people who interact within some framework of rules because there is no option to such rule-governed interaction once you get beyond a mere handful of people. Polity, moreover, does not truly exist outside of economy, for it draws its support from within economy. It is no longer possible to advance meaningful statements that refer to the aggregate categories of public goods and political rents. If some political figures have alliances with some market participants, the distinction between public goods and political rents will often depend on who is making that judgment, for these depictions are constructions of judgment and not free-standing facts of nature. One person could well declare subsidized wind power to be a public good while another can declare it to be an instance of rent creation for some politically favored entity. We would, of course, expect to find suppliers of wind power to favor subsidization and declare wind power to be a public good, just as we would expect to find suppliers of other forms of energy describing those subsidies as products of rent seeking.

3. Entangled Political Economy

Additive political economy is surely an inadequate ontology through which to explore the characteristic features of the object we denote as political economy. Figure 2 depicts in three stages how additive political economy can be transformed into entangled political economy. Panel A shows the additive point of departure, with economy denoted by a square and polity by an octagon. The lightning bolts pointing toward Panel B denote the transformation of paradises into

piazas. The point-mass entities shown in Panel A are transformed into incompletely connected networks of interacting participants in Panel B. As shown in Panel B, however, the two piazzas are separate venues. But they aren't separate, for they occupy the same societal territory. Panel C portrays the joining of the two piazzas, with the ovals denoting commercial entities and the triangles denoting political entities. Panel C is thus a graphical representation of entangled political economy.

This entangled system of political economy will have different properties from typical textbook versions of either market economies or democratic polities (Wagner 2009; Smith, Wagner, and Yandle 2011; Eusepi and Wagner 2011). The ways in which those properties differ will depend upon the structure of connection among the entities as well as upon qualitative properties resident in the various entities. Figure 3 illustrates three distinct patterns of entanglement. In Panel A there is no entanglement, and the image presented there corresponds to standard notions of guardian or watchdog polities, where political enterprises are involved in maintaining the framework of free competition among commercial entities, and nothing else. Panel B shows modest entanglement among commercial and political enterprises. Panel C shows heightened entanglement and could well illustrate the liberal fascism explored by Jonah Goldberg (2008). The movement between the panels also illustrates a century or so of transformation in the political economies of the western democracies. As Jonathan Hughes (1977) explains, a decent modicum of entanglement was present even in the colonial period of American history, and with that

entanglement gaining intensity pretty much regularly since late in the 19th century.

I have described entanglement as a pattern of connection among entities. These entities are enterprises, and enterprises are operated by people. At base, therefore, entanglement depicts a pattern of connection among people. While additive political economy, and the corresponding treatment of polities and economies, conceptualizes persons as independent actors who come together or not as they choose, entanglement recognizes that this conceptualization is more caricature or normative assertion than reality. In point of fact and similar to quantum entanglement in physics, entanglement entails some commonality in response to information among some sets of persons across entities typically denoted as political and economic. Conditions for entanglement are resident in human nature (Wagner 2007) and are nurtured by the civilizing process that operates in all societies (Elias 1982, 1991). The particular patterns of entanglement, however, are emergent features of human interaction and to some degree are subject to influence even if they are not open to direct control.

Entangled political economy seeks to render intelligible the changing patterns of political-economic activity within a society. Just as market theory is sometimes presented through images of an invisible hand, political activity would be presented in the same fashion. Leonard Read (1958) explains that no one can fully specify a plan that would yield pencils as a product of that plan, as against being able to assemble pencils within some pre-existing nexus of relationships. Pencils are a product of systemic interaction within some institutional

arrangement that governs relationships and actions among participants. This same invisible-hand type of orientation can be brought to bear on politically organized activity, as Roland McKean (1965) suggests and as Wagner (2007, 2012a) carries forward. Vincent Ostrom (1962) illustrates this theme in explaining that the supply of water in cities is not a product of some single plan, either private or public, but is a product of complex interaction among numerous participants, both private and public, and with some of those interactions being of mutual advantage and others not.

With respect to patterns of entanglement, Jane Jacobs (1992: 92-111) described commingling among commercial and guardian entities as being capable of generating “monstrous moral hybrids.” It is easy to see how this might occur by recurring to Maffeo Pantaleoni’s (1911) treatment of parasitical political pricing. Market enterprises generate revenues by offering services to customers. The theory of a market economy explains how orderly patterns of activity can arise without anyone planning the entire system of interaction. Individual entities plan their activities, of course, but the entire system of interaction is spontaneously ordered and not planned. A theory of entangled political economy seeks to extend that recognition to collectively organized activity. Within this framework, patterns of collective activity would emerge out of interactions among participants in political processes just as patterns of market activity emerge out of interactions among participants in market processes. Within an entangled system of political economy, however, both types of entity operate on the same societal landscape.

Unlike market entities, political entities cannot generate their own revenue. To support their activities, political entities must attach themselves parasitically to market entities and activities. The nature of that attachment depends on both the form of taxation and the character of the budgetary process. In any case, political enterprises within an entangled system of political economy exist parasitically upon the activities of market enterprises within that system. The presence of parasitical relationships modifies the character of economic processes from that portrayed in the pure theory of markets, as Figure 4 illustrates. Panel A shows a simple market relationship between two private entities denoted by the large circles. The two arrows connecting the circles denote the exchange relationship between the participants, typically services flowing in one direction and money in the other. The two tiny circles extending out from the larger circles denote the expectation of gains from trade by each participant. To provide a concrete example to carry forward, one enterprise might be a marina and the other might be an enterprise that dredges channels and replenishes eroded beaches. The marina has a beach that erodes and channels that become clogged with silt. Panel A illustrates ordinary market exchange between the two enterprises.

Panel B asks what happens when one of the entities, say the dredging enterprise, is a political enterprise whose cooperation the marina requires. Panel B is obviously more complex than Panel A, and in that greater complexity lays a significant part of the story of entanglement. The dredging service cannot capture profit from its services. Indeed, it will typically operate from budgetary appropriation. How, then, does the marina get the channels dredged and the

beach replenished? There must be some alternative transactional structure in play; moreover, one that at relatively modest levels of entanglement might be relatively benign while at higher levels becoming the monstrous moral hybrids that Jacobs (1992) described. There are two forms of complexity in Panel B. One concerns the relationship between the entities. The dredging enterprise has limited capacity and confronts scarcity, as does the marina. The dredging service, moreover, is nominally nonprofit and receives no direct revenue for the service it provides. Yet, somehow there must be some kind of meeting of the minds for the “transaction” to go forward. Panel B illustrates this with a small circle extending southeastward from the large circle, along with the J-shaped arrow extending from the political to the market enterprise. These indicate an indirect form of transaction, not different in form from the various indirect transactions that arise in the presence of price controls, as Cheung (1975) explains for rent control.

Also shown in Panel B is a forced triad (Podemska-Mikluch and Wagner 2012) to indicate the inability of a system of political pricing to operate without parasitical attachment to market transactions. In democratic settings, triadic transactions create two types of participants: those who willfully participate and those who are forced to participate. Willful participants will be those who gain from their transaction with the political enterprise, while forced participants will be those who lose. Typically, those losses will be imposed through a budgetary process through which they are taxed to provide the service to the willful participant. It should also be noted, however, that so-called willful participation

can come under duress, as illustrated by the situation of a reluctant duelist (Ellsberg 1956). If there were no forced triad, the transaction would not have a political character and would instead be between market enterprises as illustrated by Panel A.

Entangled political economy is a framework that fits a bottom-up representation of social phenomena, as Figure 5 illustrates (and which was first presented in Wagner 2012b). As shown there, there is a micro level where all action occurs and a macro level which is not a locus of action but rather is a construction that resembles the tales told by the prisoners in Plato's cave. As Figure 5 is drawn, all participants are the same size and all are bound by the same kind of connective tissue. In reality, the participants are of different size and, moreover, operate with different connective tissue. How these differences play out within an evolving ecology of plans is a topic of significance for a theory of entangled political economy, as illustrated for central banking in particular by Roger Koppl (2002).

With respect to connective tissue, transactions between commercial entities are dyadic within a framework of private property, and with multi-party transactions capable of being aggregated within the dyadic rubric. When political entities enter, transactions become triadic and the connective tissue acquires different qualities (Podemska-Mikluch and Wagner 2012). These differences in connective tissue can be illustrated by considering the settlement of commercial disputes between two commercial entities on the one hand and between a commercial and a political entity on the other hand. Commercial entities are

residual claimants to their legal expenses, and so have incentive to settle disputes to capture those expenses. Both entities speak the same commercial language of profit and loss, so it's no surprise that most disputes between commercial entities are settled without trial.

The situation changes if one of the disputants is a political entity, for the connective tissue in such a relationship has different qualities than the tissue that connects commercial entities. Between commercial entities, the connective tissue is fabricated through mutuality of interest between equals in the sense that each desires the other's business. With relationships between commercial and political entities, the connective tissue is spun through some admixture of coercion and consent, thereby replacing relationships grounded in mutuality with relationships grounded to some extent in domination-and-subordination. A political plaintiff is not a residual claimant, so does not speak the same commercial language as a commercial defendant. A political plaintiff operates within a budgetary framework that renders budgets as inputs into some objective function. For instance, a political plaintiff who seeks higher elected office can choose to settle or pursue cases based on calculations about expected political advantage. What results in this setting is the use of budgetary appropriations as investments in seeking higher office.²

A word should be inserted here about the relationship between cost and choice (Buchanan 1969) in relation to Figure 5. The budget with which a public

² Seeking higher office is just one of numerous possibilities. Another is the pursuit of alternative employment possibilities through connections created via the selection of cases to pursue or to settle. Still another is the pursuit of favored causes at public expense.

entity works is an item at the macro level. Action, however, occurs on the micro level. Cost is a micro and not a macro category. Cost is the obstacle to action. It is the value someone attaches to the course of action not taken because some alternative action is taken instead. Whether a trial requires \$10 million or \$20 million to pursue is irrelevant *per se* in a budgetary context because there is no residual to be claimed so there is no one for whom that magnitude is directly relevant. What is relevant and all that is relevant is the evaluation some choosing official places on the options that lie beneath that magnitude. What results is a conflict between different rationalities that pertain to different environments of action (Bourdieu 1990, MacIntyre 1988, Gigerenzer 2008). Rational conduct in a dispute between two residual claimants will differ from rational conduct between a residual claimant and a political entity because action-taking entities face different sets of ground-level options even if the macro-level magnitudes are the same.

4. Faustian Bargains and Constitutional Architecture

Vincent Ostrom (1984, 1996) explains that government is a form of Faustian bargain: it represents the use of an instrument of evil—the replacement of consent with force—to achieve good, recognizing that an evil instrument will be used for evil as well as for good. In this regard, statistical decision theory offers a significant lesson in starting from recognition that perfection is impossible. To the contrary, the more one type of error is avoided the more the other type of error will be committed. The more that force is used to secure outcomes that might

seem to accord with notions of public good, the more that force will also be used to secure public bad. And the less that force is used to avoid public bad, the less it will be able to secure public good.

Within this framework, constitutional rules and devices are similar to experimental formats and decision rules in that they serve as filters of variable quality. A fine-grained filter might keep out most undesired sentiment, but it will also keep out some desired material. A course-grained filter might let that desired material pass through, but at the expense of also passing through much undesired material. While this setting is a difficult fact of life in experimental and statistical settings, it is doubly difficult in constitutional settings. The conductors of an experiment probably agree on the distinction between good and bad. The matter isn't so simple in constitutional settings. While it is easy enough to refer to abstract notions of public goods, rent seeking, and the like, there is nothing in reality that identifies these terms with observed objects or actions. Once again, we are back to recognition that our objects are theoretically constructed, and in a setting where it is probably rare that there would exist unanimity in particular instances of efforts to attach labels of "public goods" or "rent seeking" to particular actions. There could well exist universal agreement in the abstract that providing public goods and avoiding rent seeking are good, while at the same time there would exist considerable disagreement about how those labels apply to particular actions.

The clash between conflicting rationalities is one way of working with the Faustian character of public force through the ability of the presence or absence

of force to change both the connective tissue and the architecture of social relations. As an ideal type, liberalism envisions society as constituted through horizontal relations among equals. Connective tissue is woven through material created through mutuality. As an alternative ideal type, collectivism envisions society as constituted vertically, as illustrated by shepherds tending their sheep. Connective tissue is woven with material fabricated through the hierarchical status of superior and subordinate and of domination and subordination. Reality, of course, is an admixture of ideal types. Indeed, the division of labor is itself a source of status and hierarchy even if at some long ago instant it might have originated in some mutual rendering of service.

The ideal type of liberalism is private property; the ideal type of collectivism is common property. Neither ideal type appears in pure form in reality, nor could any but the most rudimentary societies operate under ideal typical conditions of either sort. Property rights are often presented by the image of a bundle of sticks, and with the owner of that bundle being able to alienate some of those sticks through market transactions. For instance, someone who owns a parcel of land might grant a right of transit to an adjacent landowner who otherwise would have to travel a longer distance. That same owner might also lease to someone else exclusive right to use a pasture on the land, and yet lease to yet another person a right to harvest berries that grow naturally on the property.

All such transactions as these, however, would fall within the rubric of private property and private ordering. The uses to which that bundle of sticks is

put will be a matter of dyadic interaction. But private property is not found in its ideal form because triadic participation is present and, in recent times, expanding. Public ordering can likewise act on the bundle of sticks, as illustrated by regulations of all kinds. A landowner might install a septic field, but public ordering might remove maintenance from the owner's bundle by requiring periodic public inspection and servicing. A financial regulator might require lenders to hold loan portfolios that conform to some distributive criteria regarding income, gender, and race. The reach of private property and private ordering has been generally shrinking for a century or so. That shrinkage, however, is always a consequence of actions and interactions at the micro level as depicted by Figure 5, which means in turn that this entangled process is driven by people seeking gain at the micro level. Part of that search will often take recourse to constructions that pertain to macro-level constructions, but this, as Pareto (1935) recognized, is a feature of creating ideological resonance in the presence of the non-rational action that accompanies collective property and its absence of residual claimacy.

5. Concluding Remarks

This is the world of entangled political economy, which is also the world of invisible-hand political economy (Aydinonat 2008). Figure 5 depicts a social setting where micro level interaction is the domain largely of intention and planning, while the gamut of macro level configurations are emergent by-products of that intentional action. This doesn't mean that one must accept what

one gets. It means rather that any change of direction or pattern must operate through changing the properties of interaction at the micro level. This relationship between micro and macro levels was central to the ORDO liberalism that Walter Eucken (1952) articulated and which was subsequently amplified and extended in such places as Kaspar and Streit (1998), Leipold and Pies, eds. (2000), Streit (1992), and Vanberg (1988). Within that framework a distinction is made between the principles that guide human interaction and the substantive features of such interaction. With respect to principles, the central issue was whether those interactions would be constituted through mutuality and reciprocity or entailed feudal-like status relationships grounded in domination-and-subordination. Given a choice for mutuality and reciprocity, attention shifted to how to control the Faustian bargain, realizing that no filter can achieve perfection. Here, the principle of market conformability comes into play. Political entities could act, but in so doing they could not contravene the market principles of private property and freedom of contract.

To be sure, the takings clause of the 5th Amendment to the American constitution fits the principle of market conformability. It says that political entities can take private property only if doing so is for good public use and only if just compensation is paid. As Epstein (1985) shows, many takings are for private use or questionable public use, and often with little compensation paid. Constitutional provisions are never self-enforcing, for the enforcement of anything is always a human quality. Strong motives often trump high principles, as Charles Warren (1932) chronicles, which means that the Faustian bargain is always present to do

its work. James Madison recognized this when he asked in *Federalist 51*: “What is government but the greatest of all reflections on human nature?”

Entangled political economy is old and not new. It is a concomitant of treating economics as a social science, as against treating it as a science of individual action in an equilibrated society. The downside of the marginal revolution, and a mighty big downside it has been, is the reduction of economic theory to a treatment of some rational agent in various settings. Among the marginalist troika, only Carl Menger (1871, 1883) kept alive the social quality of economic theory. It is often asked why there is so little money in politics in light of the attention given to rent seeking, with the presumption being that the expenses of political campaigns should be even higher. The question is posed this way because this is where the light is shining. The illumination cast by entangled political economy would show the presence of politics to be ubiquitous, so much so that we don't even think of it. Its presence can be detected in advertising on busses and in arenas, in television programming, and in the qualities of corporate executives. Entanglement affects the connective structure of societies, which in turn does the same work as technological change, as Jason Potts ((2000) explains. In other words, the vision of entangled political economy is a feature of the effort to treat economics genuinely as a social science.

This doesn't mean that it is impossible to alter the pattern of social interaction and its accompanying characteristics. It means only that doing so is not a simple matter of getting a parade marshal to change the direction of march. It is rather a matter of securing changes in conduct among a significant number

of participants in the piazza to change the macro level characteristics which are not direct objects of choice. There is no necessity that the monstrous moral hybrids Jane Jacobs (1992) sets forth will arise in full force, but the Faustian nature of the bargain that accompanies the use of governmental force affirms recognition that eternal vigilance is the price of liberty—and that liberty carries a significant price because the practice of liberty requires people to resist the siren call to enlist themselves as sheep in some progressivist-shepherd's flock (Ostrom 1997).

Table 1	
Five Conceptual Dichotomies Pertaining to Political Economy	
Orthodox, additive framework	Alternative, entangled framework
Society as placid and equilibrated	Society as turbulent and moving
Change as exogenous	Change as indigenous
Polity external to economy	Polity resides in economy, and vice versa
Economics: science of rational choice	Economics: genuine social science
Qualities reduced to quantities via utility functions: surface heterogeneity with deep homogeneity via hedonics	Qualities kept alive via lexicographic ordering: deep heterogeneity and limited hedonics

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