

# The Dangerous Myth

## Methodological individualism as a tool of ideology

Tatiana Roskoshnaya and Fred Harrison

ECONOMICS ought to be able to prescribe strategies for transforming a sub-optimum social system which exacted the least possible private pain and public dislocation.

In Russia, the decision to reconstruct the economy and

**Dr. TATIANA  
ROSKOSHNAYA**  
*graduated from Moscow  
State University and  
Charles University  
(Prague). She is a senior  
researcher at the Russian  
Academy of Sciences  
Research Centre for  
Ecological Security, and is  
Executive Director of the  
Land & Public Welfare  
Foundation, St. Petersburg  
of which **FRED  
HARRISON** is a trustee.*

society was based on the belief that this would improve people's lives. There would be net gains from the free market and the democratic process. Aspirations were not fulfilled, largely because the imported doctrines were shaped by Methodological Individualism. This subordinates social life to concepts narrowly constructed on self-centred utility.

This analytical bias expresses an ideological preference which is not compatible with the history and psychology of the Russian population. The individualistic ideal prescribes policies – especially those that relate to property rights – that contemptuously disregard deeply rooted social traditions, argue Tatiana Roskoshnaya and Fred Harrison.

Insufficient time was allowed for the population to absorb and experiment with western values, patterns of behaviour and organisational forms. These – if they had been combined with people's preferences – could have been adapted and integrated into a new social system. Instead, crisis struck which halved economic output and killed millions of people.

ANALYSING the responsibility of economic ideology for the painful condition of the Russian people today is made more complex by the role of myths. These abound in the history and in the theories of neo-classical economics. Unravelling the relevant ones may deliver the conceptual clarity that we need, if we are to identify remedial policies. The first myth distorts the definition of people as economic agents.

The most influential doctrines stem from the catallactic perception of man as "An animal that makes exchanges". This definition is attributed to an Englishman, Richard Whately (1787-1863), a professor of political economy before his appointment as Archbishop of Dublin, who was the author of *Thoughts and Apophthegms* (1856). The reduction of people to this formula made it easy to appear analytically rigorous. As one economic historian described the methodology:

It disregarded all motives except self-interest and pursued an analysis of which the results, expressed in equations or identical propositions, are of a mathematical nature even when they do not involve the use of numbers. This method not only excluded ethical considerations, but its individualism also led it to stand for the principle of *laissez-faire*.<sup>1</sup>

Invoking the concept of *laissez-faire* has become a device designed to associate the 20th century neo-classical school with the classical school that originated with the French Physiocrats in the 18th century. The Scottish philosophers, but especially Adam Smith, did most to lay the foundation for economics as a science. But they did not abandon the holistic perception of people as ethical, community-based beings. The notion that Individualism can be attributed to (often, depending on the philosophical orientation of the writer, blamed on) the classical economists, is a libel that needs to be expunged. To explain its origins, we have to provide the motive for the mistreatment of Smith, and to identify the guilty parties.

The myths that have been encrusted onto the concept of *laissez-faire* impoverished political economy as a science at the service of the public. One of the most damaging innovations, which can be attributed to the neo-classical school that emerged at the beginning of the 20th century – damaging, because of the way in which it was manipulated for ideological purposes – debilitates the science and distracts its practitioners from prescribing policies that are compatible with the needs of both the individual and society. We refer to the methodology of Individualism, which was a technique of analysis which allowed economists to shed their responsibilities towards society. Ironically, in doing so, they also sacrificed the interests that traditionally protected the rights of the individual – all individuals. The way in which the concept of

individualism has been employed to abuse the human rights of the people of Russia is a story waiting to be told.

**Private  
property  
& personal  
liberty**

THE PRIVATISATION of state property and the liberalisation of prices were the two key objectives of the early Yeltsin years. The first was supposed to empower the individual; the second was supposed to motivate the economy. Both were supposed to unite in everyone's interest in the marketplace.

- The Soviet state did need to relinquish its control over much of the property that was held in collective ownership. Privatisation, however, was not driven by a principled understanding of the characteristics that differentiate private from public property.
- Prices did need to be deregulated, to ensure the efficient allocation of resources. But the rush to liberalise the prices of consumer goods, housing and energy was driven by passions that had no interest in preserving social harmony while building a consensus behind the structural reforms that most people did feel were necessary.

The outcome, in effect, was that the state withdrew from society. The population was exposed, anarchically adrift in uncharted waters. Two of the consequences were the demographic crisis and the criminalisation of the economy. These were inevitable once public power was privatised in favour of a few shrewd operators.

To deepen our understanding of what it will now take to rescue Russia, we must understand the influence of the concept of Methodological Individualism. One attempt to analyse and modify this concept is offered in *Economic Sociodynamics*, the two authors of which claim to have developed a model of the economics of the third way.<sup>2</sup> In fact, Greenberg and Rubinstein champion the mixed economy that evolved in Western Europe after the Second World War, which the Blair government in Britain wants to modify.

Their primary task was to radically reconceptualise economics. A critique that identifies their errors may enable us to contribute to the rehabilitation of classical economics, which scholars continue to misrepresent. Furthermore, this exercise may help us to isolate the themes that could lead to the development of effective policies.

**Abstract  
analysis and  
political  
prejudice**

THE POSTULATE of the individual who is the best judge of his personal interests is a useful analytical tool, but when used as a heuristic device we must bear in mind that it over-simplifies blood-and-bone people and does not adequately reflect the way in which society and its economy works.

Neo-classical economists developed the construct of the individual as the unit of study. Was this a purely scientific decision, or was the

abstraction designed to conceal a private agenda? The latter, according to one reading of 20th century economic history.<sup>3</sup>

Greenberg and Rubinstein seek to redress the balance. They argue that economic theory must be modified to include the rational state as an independent player in the market, which should represent the interests of society. Unfortunately, their rational state is not based on principles. They rely on the “democratic pragmatism which deals with the methods and procedures of distributing resources possessed by the state”.<sup>4</sup> *President Yeltsin claimed to be both democratic and pragmatic when he handed the treasures of the Russian people to a handful of characters who are now known as the oligarchs.*

But Greenberg and Rubinstein have a rule to test the validity of decisions. They apply their modified Pareto principle, which says that the optimisation of total welfare stops at the point where further improvement in one person's interests begins to injure the interests of another person.

But in the absence of non-negotiable principles that would enable us to subject those decisions to further scrutiny, it is difficult to determine (in practice) when we have reached the outer limits of permissible decision-making.

Also alarming is the absence of rules that would enable us to determine when the state has over-stepped the mark. For example, we are not offered a “third way” guide to what constitutes the boundaries that separate private and public property. Anything, pragmatically speaking – and in Russia, literally – goes. But we need to know when the state is employing policies that abuse both the individual and the collective interests of society – that is, when it is betraying Greenberg and Rubinstein's mandate. But their discussion of taxation reveals no awareness of the way in which public finance is now a primary tool for abusing people. The scale of that abuse is becoming apparent from the studies of “excess burden” (see *The Psychopathology of Taxation*, pp. 145-150 in this issue of *Geophilos*). In the Greenberg and Rubinstein model, governments would be sanctioned to continue using revenue-raising forms of taxation that diminish the interests of society.

That these authors are victims of conventional economic wisdom is clear from the grand claim that they make on behalf of their study.

Our main goal is to change mainstream economic theory by removing the principle of individualism from its foundation, at least in that version which fails to recognise the existence of the interests of society as such, and does thus exclude the role of the state as an independent market player which seeks to realise these interests.<sup>5</sup>

It is not correct to claim that economic theory fails to recognise the interests of society. In fact, those interests are ever-present even in the

neo-classical model. To clarify this issue, we need to discuss the pricing mechanism.

**Do prices reflect social utility?** PRICES signal people's preferences and the costs of production. Are these exclusively private preferences and costs? Greenberg and Rubinstein claim that "Economists refuse to accept the existence of a utility which the market itself does not manifest, and continue to insist: any utility must be reduced to individual preferences".<sup>6</sup> This is not correct. Economists acknowledge that the market does not always represent all the relevant facts. There are, for example, "externalities" which are not included in market prices. Is this an example of the failure of the market? The answer emerges as we examine the way in which market prices intersect with both property rights and government policy.

Even if we concede that the prices of labour and capital, and their products, are measures of private utility, the rents of land and the resources of nature include social values. This is unambiguously the case with the rent of an urban location. This price measures the sum of all the socially-provided benefits that can be accessed from the site. Rent reflects the utility of publicly-provided services (such as parks and police); public investments (such as roads); and of public laws (such as those that protect the environment and so enhance the quality of people's lives).

The impact of government in the market, even in the neo-classical model, is illustrated by what happens to the private commercial value of a site when the state intervenes on behalf of the social interest. When the state zones an area for a use that reflects social preferences which reduce the commercial options on the use of a site, market rents adjust downwards. When, for example, a law turns a large swathe of Alaska into a National Park – which therefore prevents oil prospecting – the rental value of Alaska is consequently reduced.

This significance of rents as a measure of social interest is not reflected in *Economic Sociodynamics*, when it ought to be a central part of the authors' analysis. But Greenberg and Rubinstein misrepresent the way in which market rents measure social utility. They think that the social utility component is neglected by individual users of land, and that it needs to be added to market prices by government action. But an attempt to raise prices above the market value (the price that users are willing to pay), has the effect of double-counting. The social value of land is already factored into market prices. By insisting that an additional sum be added to rent, they prescribe a strategy that leads to sub-optimum economic use of land. This would push land out of use. If that is the purpose of the exercise, all well and good; but rather than impose a price that users could not afford, it would be more efficient to restrict land use through zoning provisions.

The land market is a sophisticated mechanism in which individuals and "society" *can* and *do* reflect both private and social values. Rent sums both private and public preferences and utilities. It was the failure to comprehend this that allowed President Yeltsin to advocate the privatisation of land. The effect of this policy is to transfer social values into private hands.

The ideologists who advocate private property may remain silent on the social characteristics of land; but the private owners are all too well aware of how they can capture social values through their deals in the land market. Land and rent are the keys to a new economics and a new politics.

But what of the externalities that are missing from prices? Is this evidence of failure of the market? Evidently not. Economic agents only act on the basis of what the rules permit. If the law enables them to use a common resource without paying (as with polluters who dump waste in the atmosphere), that reality is reflected in the relevant prices (the costs are not born by the users). But this is not a market failure. If people are free to take something for nothing, they behave rationally when they do so – even if they think that, from society's viewpoint, this is wrong.

The failures arise because the state has not developed the laws on property rights and public finance in a way that internalises all costs in market prices. This is not the fault of the market, but a failure of politics. Ultimately, it is a failure to consolidate the private market and the public sector as partners in a single system through a system of public finance that represents the interests of both the individual and society. That failure is a puzzle that needs to be explained.

TO DEVELOP a social paradigm that integrates private and social interests, we first need to explain the emergence of Individualism as a methodological device. This returns us to the question: was this a coherent theoretical development, or a doctrinal device designed to conceal ulterior motives?

**Private motives for excluding society**

The scientific method does not require the exclusion of social interests. It was not methodologically imperative to locate the individual at the centre of human experience. The extreme emphasis on the individual, therefore, needs to be unravelled in terms of the history of ideas. The evolution of economics affords a suitable case study, for it enables us to investigate the congruence of material interests with abstract ideas. Adam Smith's reputation is a helpful point of entry into this exploration. He is acclaimed as the father of modern economics. *The Wealth of Nations* was a seminal treatise. Today, Smith is classified as the arch advocate of free markets red in tooth-and-claw, the champion of self-centred individualism. In fact, this is a false reading of Smith's model of both people and of society; exposing the myth leads us to a balanced view of

economics as an analytical discipline, and of the relationship between the private and public sectors.

Adam Smith's reputation as an economic theorist is popularly impugned. A few phrases are extracted from his book to convey the impression that he stressed the individual in the competitive market. Phrases like *laissez faire* and "the invisible hand" are shorthand tricks for classifying him as an extreme exponent of naked capitalism. This is a vulgarised portrait of his science and philosophy.

*Smith integrated private economic activity and society in a way that is illuminating for the purpose of formulating policies today.*

He did analyse the way in which people pursued their self-interest in the market economy. Furthermore, he advocated that they ought to do so. But there is no ambiguity about the social context within which people pursued their economic interest. He condemned selfishness in these terms: "All for ourselves, and nothing for other people, seems in every age of the world, to have been the vile maxim of the masters of mankind".<sup>7</sup>

The interdependency of individuals was a defining feature of the complex social organisation that included the division of labour. He wrote of the individual:

In a civilised society he stands at all times in need of the co-operation and assistance of great multitudes ...<sup>8</sup>

The division of labour was not a tool for dividing people from their community. It was the advanced technique for increasing productivity. But this was part of an economic system – expressed in the market – which revealed the sociability of human beings. Unlike animals, which were isolated individuals:

Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.<sup>9</sup>

This framework was a social one in which the individual relied for his prosperity on his willingness to deliver products of equal value to others. Without that exchange, there would be no benefits. The individual has to take into account the needs of others. The important point is that the mode of production and exchange has the structural effect of throwing people together in co-operation, rather than dividing them.

Smith was not callous, indifferent to the fate of individuals in the marketplace. He condemned poverty. "No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable".<sup>10</sup>

His account of the factory mode of production offered important insights into what could have been developed as a realistic sociology and at the beginning (rather than at the end) of the 19th century. Most importantly, he was concerned about the alienation that might damage "parts of the human character" as a result of the repetitious actions involved in the division of labour. To compensate for this, he said government had the responsibility to intervene to prevent masses of people, through the mechanical routines of factory production, collapsing into a "torpor of [the] mind".<sup>11</sup> Government must take preventative action, including the provision of adult education "to prevent the almost entire corruption and degeneracy of the great body of the people".<sup>12</sup>

Smith's philosophy of community included the acknowledgement that government had to exercise the power to exclude "the wretched spirit of monopoly", to ensure that everyone had access to the market.<sup>13</sup> Smith was not an uncritical champion of capitalists. He employed powerful censorious language to expose merchants and manufacturers for their "wretched spirit of monopoly".<sup>14</sup> He was equally sharp in his treatment of the "childish ... vanity" of landowners who sought their personal comfort at the expense of their public duties.<sup>15</sup> Landlords' were the only class whose income "costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorance, but incapable of their obligation of mind which is necessary in order to foresee and understand the consequences of any public regulation".<sup>16</sup> And:

As soon, therefore, as they could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons. For a pair of diamond buckles perhaps, or for something as frivolous and useless, they exchanged the maintenance, or what is the same thing, the price of the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give them.<sup>17</sup>

ADAM SMITH did claim that the individual, while pursuing his personal interests, did not have in the forefront of his mind the promotion of public interest.<sup>18</sup> This was analytically sound, for the social interest was secured by the structural rules of the complex economy, *and it has to be read in conjunction with his recommendations on tax policy.*

**The public utility of self-interest**

The first point to note is that he developed a conflict theory of law and the state that alerted his readers to the realms that required remedial action. Smith wrote, in *Lectures on Jurisprudence* (Vol. IV):

Laws and government may be considered in this, and indeed in every case, as a



combination of the rich to oppress the poor, and preserve to themselves the inequality of goods ...

This realism contributed to the making of a sociology that would have enabled social reformers to construct checks and balances to deliver justice and morality in society, and efficiency in the economy. The key mechanism for integrating private and social interests, and integrating the market with governance, was public finance. Smith, following the principles that he had learnt from the French Physiocrats and from his association with Anne-Robert Turgot, identified the rent of land as the correct source of public revenue.<sup>19</sup>

In articulating this policy, he was not currying favour with landlords. He accurately summarised the trends in the distribution of power, the nature of social obligation and the dynamics underpinning the formation of the modern landlord class. As one recent commentator summarised it: "The landowners [according to Smith] set about converting their feudal dues and power into money rents, which they could spend on themselves..."<sup>20</sup>

### **The social origins of morality**

SMITH'S METHODOLOGY did not rely on the abstraction of people from their communities in order to analyse economic behaviour. His analysis was based on a realism that flowed from his comprehensive understanding of human nature as it manifested itself in the emerging industrial economy.

Smith the scientist ensured that his analysis was framed by the social origins of morality, the theory for which he developed in *The Theory of Moral Sentiments*.<sup>21</sup> In this, he anticipated by two centuries the writings of evolutionary psychologists.<sup>22</sup> He describes how the general rules of the good and the bad, of right and wrong behaviour, flow from the association of people in the community. Individuals learn to calculate how their behaviour affects the attitudes of others. We are individuals linked by emotions such as the need for the esteem of others. Praise or blame affects our behaviour.

Thus, Adam Smith located his self-serving individual economic actor in a complex social setting which affirms the importance of the community. There was no collective will or superorganic entity guiding people's behaviour. Rather, it is the moral fibre of society that shapes individual activity and ensures that we have the capacity to live with each other in harmony. The outcome is the maximisation of material wealth, as well as the enforcement of moral behaviour.

As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to

render the annual revenue of the society as great as he can ... by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.<sup>23</sup>

In Bk. IV, Ch.II of *The Wealth of Nations*, Smith discusses his famous “invisible hand”. But he does so not as a recommendation that individuals should be indifferent to the rest of society. It is because there is only so much that each person can do that Smith recommends that each person should attend to his or her needs, within a framework of rules for the creation and exchange of value and the observance of moral standards, as a result of which he “frequently promotes that of the society more effectually than when he really intends to promote it”.<sup>24</sup>

This interpersonal behaviour flows from the structural properties of the complex society.

SMITH'S TWIN GOALS – economic efficiency and the enhancement of moral sentiments – provide the dynamic for combining and strengthening the bonds between the private and public sectors. He formulated a part of the *rationale* for treating rent as the source of public revenue in terms of the efficiency criterion. He does not, however, recommend a rate of taxation. Should the state take part or all of the rent to finance education, law and order, and defence of the realm? An answer emerges when we recall that he warned of the need to remove monopolistic impediments to the market. Rent is a monopoly price.<sup>25</sup> Its influence – through the propensity to speculate in capital gains from land – prevents people from enjoying the benefits of a finely-tuned competitive economy. Therefore, to be consistent, the removal of monopolistic distortions requires that the whole of rent be treated as public revenue.

**Rent as  
the bridge  
that links  
partners**

There is a second reason why a logical Adam Smith should recommend a 100% public charge on rent in all its forms. He saw that the market was driven by the need to ensure the exchange of goods and services of equal value. Without this equivalence in the production and exchange of goods, demand would not equate with supply and there would be under-investment and unemployment. Smith acknowledged that the one class that gains something for nothing is the landlord class. For the “invisible hand” to function efficiently, rent needs to be removed from the hands of those who did not earn it (they do not add to the sum total of wealth of the nation), so that the market would consist of people who wanted to exchange the wealth they created for wealth of equal value created by others. That left no room for the landlord class.

Smith himself did not analyse this issue in terms of the legitimacy of the landowners who claimed rent as their private income shorn of public

duties. Had he done so he would have recognised that landowners, who extract the value from the market without adding equivalent value (he cites the cases of rent charged for the collection of kelp from the seashore, and fish from the sea),<sup>26</sup> were, logically, not entitled to retain rent; the case for which is wiped out by the need for economic efficiency.

A third insight which augured well for a strengthened social sector in the Smith model was the fact that rents increased in a growing economy. Its share is one that grows as a proportion of the nation's produce. He registered the fact that, as the cost of maintaining the capital of an estate, or a nation, decreases – that is, when productivity increases – “the neat [net] is necessarily augmented”.<sup>27</sup>

The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of the produce, but the proportion of his share of the whole produce rises with it.<sup>28</sup>

This means that, even if the government took only a part of the rent as public revenue, this flow of income into the nation's coffers would be a rising one. This correctly identifies the rent-revenue base as a buoyant one. And assuming that landowners did not distort the economy by irrational and anti-social activity out of the goodness of their hearts (such as hoarding land in an idle state to speculate in future capital gains<sup>29</sup>), the community would prosper along with the rise in the wages of workers.

From this summary, we see that Smith was not an advocate of extreme individualism. Nor is it correct for economic historians like Robert Heilbroner to classify him as a conservative theorist.<sup>30</sup> Nor can we agree that “he was no revolutionary”.<sup>31</sup> For while he did not advocate the overthrow of the existing power structure, we can see from the logic of his model that the consistent application of the principles of efficiency and morality would have progressively eliminated the landlord class, which held the political power in society. That class was an economically dependent one; it could exist for only so long as the other classes were willing to yield their social income (rent) for the exclusive use of a minority of individuals. Had the landlord class withered, the market economy would be left with two classes – workers and capitalists – who were bound by mutual self-interest to create and exchange goods and services of equal value.

The significance of this model of development for Russia, which has not yet transferred its democratic rights to a landlord class, would repay close study.

### **The origins of extreme individualism**

WE CAN NOW offer an hypothesis that may explain the crude conflation of classical economics into the caricature that is relished by its foes. The hypothesis may be elaborated in the following terms.

I The emergence of the demand for the extreme form of private tenure of land was necessarily connected with the doctrine of the individual, for two reasons:

Ia Private possession, which permits efficiency in the use of land (as under a generalised system of leases, for example), was not acceptable to the privatisers. The only possible explanation for this rejection is that the individuals concerned did not want the land, to use it; they wanted to extract the rent from the land.

Ib To sustain this socially anomalous position, private ownership had to be justified in a way that coerced into compliance the majority who would lose by the arrangement. The ideology of individual liberty played well to the gallery: the call for freedom – neatly linked to *the individual* – is not something that anyone would oppose. Then, by tying property rights into the formation of individual personality, the circle was closed.

Both the privatisation of land, and the privatisation of people's personalities, were anti-evolutionary, anti-historical, anti-social. That is why they required this interactive connection – the alleged link between private property rights and personality – for either of them to be acceptable.

To override the social nature of land, the privatisers necessarily had to evolve an ideology that validated their project; and the abstract concept of the private individual needed to be articulated to complement the concept of land shorn of its social characteristics. That this privatisation project necessarily excluded the interests of the majority of people in society was a contradiction of the philosophy of individual human rights that did not discomfort the advocates of this paradigm.

Thus, from the viewpoint of the rent-privatisers, there was a strategic need for methodological individualism to emerge at this time and place as a component of the epistemology that was associated with Modernity.

A complete test of our hypothesis requires an investigation into the possibility that the causal influence worked from other directions.<sup>32</sup> Did the emergence of the scientific method encourage the evolution of private land ownership? There is no plausible reason why it should, but the question warrants further enquiry.

THE PRIVATE appropriation of rent existed in previous civilisations, but it was never absolute in the way that it became in Western Europe. The social nature of rent continued to be acknowledged and enforced, in varying degrees. The appropriators were under an obligation to fulfil social responsibilities. Furthermore, the limits on rent privatisation were delineated in custom and law. Sumeria, for example, presents us with the practice of the Clean Slate. Land was

**Historic  
limits to rent  
privatisation**

restored to those who lost it, once income differentials threatened to destabilise society.<sup>33</sup> The Jubilee arrangement registered in the Old Testament is further illustration of this practice.

In Western Europe, circa 1600, the high tide of feudalism was confronted with epochal changes. The aristocracy knew that its existence was under threat. Britain was in the forefront of this social evolution. The rent privatisation project faced a tough choice. Would it allow Clean Slates: the restoration of the public revenue to the people in common, through the exchequers administered by the modernising state? There is no apparent epistemological reason why the emerging nation-state should not combine private use with public ownership of land – expressed through the expenditure of rent on public services, which was (after all) the basis of feudal philosophy!

But the feudal aristocracy was faced with social extinction. The state was professionalising its functions (a standing army, judges sent on circuit to administer the law, a bureaucracy evolving out of the Crown's household). Many crafts and professions would subsequently have to face such a crisis: the obsolescence of their skills. Redundancy notices – with no compensation – were served on them by their employers. The British aristocracy, in particular, was on the verge of receiving its redundancy notices from the Crown; but they were not willing to quit without compensation, and the compensation they wanted was indemnity against themselves and their offspring ever having to work in perpetuity. The formula for this magic act of survival: privatise the social income that it had been receiving to defray the public functions that they discharged.

This project, however, could not be executed without the acquiescence of the public – who would be the losers. So, to secure the alienation of society's income in perpetuity, it was necessary to legitimise the redistribution of income in philosophically plausible terms. This had to be done in a way that could be accepted as rational by the losers. Thus, the doctrine of the individual, with its stress on equality of treatment and of universal rights, was an appealing balm that could be applied to the population which would suffer from the loss of their individual rights (their share of the public value which they helped to create). Forthwith, that revenue would go – with no social strings attached – to a group of people who would coagulate into a post-feudal class of social parasites.

To achieve this irrational outcome it was necessary to replace social traditions with new practices into which could be vested the idea of the objective pursuit of truth, and of universal principles that were apparently available to everyone. Thus, fictions were fabricated and ascribed the trappings of ancient pedigree – allegedly based on the traditions and wisdom of old. Thus was born a spurious conservatism that was revolutionary in its conception and execution. The myths were necessary

to fill the social and intellectual voids that were created by those who disrupted the historic traditions of their communities. The myths had to replace people's memories of how they used to share their land through the mediating influence of their communities.

So new ceremonies were invented, triumphal assertions of naked power in velvet gloves; festooned with bizarre sounds, colours, clothes and language, to persuade the losers that all was natural, and therefore good, and therefore necessary to preserve. Above all, it was necessary to intimidate people into not questioning the pedigree of what they observed and heard. Rarely was a social critic like Thomas Paine allowed to surface to question the new wisdom.

By this means the aristocracy transformed itself from a socially useful category (one that fulfilled public duties, with its claim to rent contingent on fulfilling those obligations) into a private entity. The aristocrats could not hope to deceive quick-witted English peasants by arguing that it merely wished to change the rules of the social game to its exclusive advantage. Could that be why it had to evolve the doctrine of the individual, with the stress on rights (and the convenient overlooking of obligations)? By this means, they would disguise their intent by creating the illusion that their social functions were being preserved through the traditions that they invented to deceive the losers.

THE PHILOSOPHERS and scientists who were allowed access to the net income of society (through the patronage of the aristocracy), were inevitably compromised. To a more or less extent, science, art and the administration of society were tainted by the private agendas of those who captured the public's income.

**Private  
patronage  
through the  
public  
purse**

The extent to which scientists and artists, by their complicity, allowed the vitality of society to wither by default in favour of the reification of the individual, needs to be explored in great detail. This would repay enormous dividends in helping us to understand both the episodes that constitute modern history, and the trends in our contemporary cultures.

But we can be confident about one fact. The individual is a convenient unit for analysis of human behaviour. This methodology has yielded new knowledge (so it is a valid scientific tool). But in its crude form – in the detachment of the individual from society – the methodology has also served an ideological purpose. It has been one means to consolidate the private material interests of those who required laws that could be used to intimidate populations.

Behaviour that challenged the power and authority of the aristocracy (a particularly poignant example is the fate of landless labourers who "poached" game on the great estates), could now be rationalised in terms

of the human failings of individuals. This distracts scientific investigation away from social causes (such as those that flow from the material deprivation of society). The refocusing of research, and public discourse, was necessary, to sustain the privatisation of rent. For these could have lethal consequences for the rent-appropriators. To protect their interests, it was – and continues to be – necessary to concentrate public debate on the rights of the individual, so that people do not enquire too deeply into the nature of the social obligations of both the individual and society.

But if Russia is to retrieve its traditional sense of morality and social solidarity, it will have to move beyond the language of Methodological Individualism and recover the spirit of society.

## References

- 1 G.N. Clark, "The Study of Economic History", *History*, Vol.17, 1932, p.108.
- 2 R.S. Greenberg and A. Rubinstein, *Economic Sociodynamics*, Moscow: Institute for Social Economy, 2000.
- 3 See the study by Mason Gaffney in M. Gaffney and F. Harrison, *The Corruption of Economics*, London: Shephard-Walwyn, 1994.
- 4 *Op. cit.*, p.273.
- 5 *Ibid.*, p.265.
- 6 *Ibid.*, p. 266.
- 7 Adam Smith, *The Wealth of Nations*, 1776 (hereafter: WN), Bk. 3, Ch. 4, p.437. Page references are to the Edwin Cannan edn., Chicago: University of Chicago Press, 1976.
- 8 WN Bk. 1, Ch. 2, p.18.
- 9 WN Bk. 1, Ch. 2, p.20.
- 10 WN Bk. 1, Ch. 8, p.88.
- 11 WN Bk. 5, Ch. 1, Pt. 3, Article 2, p.303.
- 12 WN Bk. 5, Ch. 1, Pt. 3, Article 2, p.302.
- 13 WN Bk. 4, Ch. 2, p.483.
- 14 *Ibid.*
- 15 WN Bk. 3, Ch. 4, p.437.
- 16 WN Bk. 1, Ch.11, Conclusion, p.277.
- 17 WN Bk. 3, Ch. 4, p.437. It appears, on Smith's account, that "The expensive vanity of the landlord" (WN Bk. 3, Ch. 4, p.439) encouraged him to agree to changes that eroded his personal authority as the price of greater private freedom to dispose of the rent.
- 18 WN Bk. 4, Ch. 2, p.475.
- 19 Anne-Robert Turgot, *The Formation and Distribution of Wealth*, translated by Kenneth Jupp, London: Othila Press, 1999, Introduction.
- 20 Trevor Noble, *Social Theory and Social Change*, London: Macmillan, 2000, pp.31-32.
- 21 Adam Smith, *The Theory of Moral Sentiments* (1759); Indianapolis: Liberty Classics, 1969, Part VII, Sec. 3, Ch.2.
- 22 Current theories of the origins of sociality are reviewed in Michael Carrithers, *Why Humans Have Cultures*, Oxford: Oxford UP, 1992.
- 23 WN Bk. 4, Ch. 2, p.477.
- 24 WN Bk. 4, Ch. 2, pp.477-8.
- 25 WN Bk. 1, Ch. 11, Pt 1, p.162. He notes (*ibid.*, p.165) that "Monopoly, besides, is a great enemy to good management".

- 26 WN Bk. 1, Ch 11, Pt. 1, p.162.
- 27 WN Bk. 2, Ch. 2, pp. 304-5.
- 28 WN Bk. 1, Ch. 11, Conclusion, p.275.
- 29 This was not a realistic assumption, of course, as Smith himself acknowledged in his discussion of English land laws, which made it possible to "keep so much land out of the market, that there are always more capitals to buy than there is land to sell, so that what is sold always sells at a monopoly price. The rent never pays the interest of the purchase-money". WN Bk. 3, Ch 4, p.441.
- 30 Robert Heilbroner, *The Essential Adam Smith*, Oxford: OUP, 1986.
- 31 Noble, *op. cit.*, p.33.
- 32 For Smith's version of the privatisation of rent, which we call the Diamond Buckle Theory (which we do not find convincing, although revealing for its insights into the formation of the late-feudal culture of the aristocracy), see WN Bk. 3, Ch. 4.
- 33 Michael Hudson and Baruch A. Levine (eds.), *Privatization in the Ancient Near East and Classical World*, Cambridge, MA: Peabody Museum of Archaeology and Ethnology, Harvard University, 1996.