On Organizational Independence

Daniel J. D'Amico

The study of political economy aims to help us understand how government can work most efficiently in society. For what social functions are government financing and management necessary or superior to other institutional arrangements? When governments perform specific roles, what size and scope of operation is most efficient? At what level of governmental authority (e.g., local, urban, state, or federal) should decision-making over different public goods and services take place? What checks, balances, and oversight processes best assure efficient outcomes? To answer such questions, core concepts such as collective-action problems, externalities, public goods theory, many diverse areas of public policy, and constitutional design are all common topics of theoretical and applied research throughout the field.

Since the mid-twentieth century, political economists have recognized and highlighted a litany of suboptimal outcomes from private-market operations (Bator 1958). When primarily self-interested, the short-run returns of defection entice agents and render efficient levels of cooperation and collective action difficult to achieve (Olson 1965; Axelrod 1984). Production and consumption levels are socially suboptimal amid negative and positive externalities (Pigou 1932). Sans formal sanctions against defection or sans subsidies to promote collective action, non-rivalrous and non-excludable goods and services will be underprovided; or worse, said markets will fully unravel (Akerlof 1970). Thus, while neoclassical analysis has a strong theoretical

Daniel J. D'Amico is an affiliated associate professor at Wabash College and the director of the Stephenson Institute for Classical Liberalism.

The Independent Review, v. 29, n. 3, Winter 2024/25, ISSN 1086–1653, Copyright © 2024, pp. 431–446.

appreciation for market and private orderings, real public policies and institutional designs amid neoclassical dominance have also accommodated a wide scope of potential for market failure(s) and a similarly thick and growing set of socially desirable roles for increased government intervention away from private-market orderings.

Various explanations aim to account for this practical bias toward governmental growth. The hegemonic influence of political authority is often recognized as a complement to the ascendancy of Keynesian macroeconomics. With discretion to select from competing visions of economic and social dynamics, political authorities embrace those frameworks more likely to secure and enhance the state's power and interests (Buchanan and Wagner 1977). Caplan (2001; 2006) thinks voters also carry a large responsibility, as significant gaps divide expert from lay opinion regarding market potentials and free-trade policies. Similarly, if competing models of political economy rely on different degrees of complex operation, then nonspecialists are inclined to favor relatively simple and known strategies for problem-solving (Rizzo 2005). All of the above echo Hayek's (1944) efforts to popularly communicate the civilizational stakes of public attitudes regarding political economy. The shortcomings of our understanding for how a free society works leave us frustrated by its present imperfections and primed for continuously opting toward the seemingly ready strategies of government resolutions. With time and repetition, persistent increases in government thus represent a potential to pave a road toward serfdom.

I begin by arguing alongside many others that this style of inference common throughout neoclassical political economy suffers from a form of omitted variable bias. If social ordering is described and diagnosed strictly as a byproduct of either market or governmental processes, then prescriptive strategies for resolving social problems are similarly limited to those binary sources. If frameworks that are used to shape prescriptive policy efforts are informed by truncated descriptive and diagnostic accounts of society that in turn lack a full appreciation for the potentials of voluntary ordering, then policies will persistently lean toward a coercive bias.

Boettke analogizes this dynamic to an ancient legend of a Roman emperor. So enamored by the performance of a first competitor, the emperor declares him the victor without even witnessing the subsequent contenders. In other words, the political tendency to embrace governmental intervention as the default mode of social problem-solving may veer substantially from social efficiency if and when decision-makers fail to recognize the potential for governmental error alongside market failure. "Demonstrating that the market economy failed to live up to the ideals of general competitive equilibrium was one thing, but to gleefully assert that public action could costlessly correct the failure was quite another matter" (Boettke 2012, 249).

Half of Boettke's metaphor is well understood across various subfields of economic analysis. Public Choice rightly notes that without consistent applications of behavioral symmetry across market and government actors, political economists in effect romanticize the potential of government (Buchanan 1999). Boettke and

Marciano (2015) label the simultaneous appreciation for the potential of error across both private and public spheres as "Virginia political economy," as it represents a combination of the positive analytical tools of Public Choice with the socially normative aims to design constraints against governmental error from constitutional political economy. With ubiquitous potential for error across both market and state processes, political economy requires a more focused attention on how different institutional systems operate amid non-ideal circumstances and unforeseen shocks (D'Amico 2017). Whereas relatively static visions of comparative economic systems gave way to development and transition studies (Yaeger 1999), constitutional political economy has been recently refined to what is now being termed "robust political economy" (Boettke and Leeson 2004; Pennington 2011). In short, rather than chasing formal visions of social optimization, constitutional mechanisms may better assure social efficiency by aiming to avoid systemic errors and worst-case scenarios.

As seen above, the neoclassical model of political economy has endured needed critiques and updates even if it sustains a relatively stringent dichotomy between markets and states. This paper focuses instead on the conspicuously missing components of the neoclassical model: voluntary actions not characterized as either profit-seeking or governmental. As Buchanan (2000) argued, behavioral symmetry is not complete even with the recognition of systemic governmental failure. What is needed to address such sins of omission is to rediscover the "soul," the "animating" or the "moving spirit" of political economy (112). Buchanan is transparent with his normative priors; classical liberalism is in his view the properly recognized soul of political economy. Just as humanistic ethics demands that individuals be afforded the opportunities for self-authorship (forced charity lacks virtue, for one example), so too does this insight scale up toward a macro social implication for political economy. Liberalism ought to be the default framework for political economy as voluntary and noncoercive arrangements better afford the often-unseen potentials for self-determination, inspired innovation, and meaningful social actualization (Klein 2007). Coloring books and paint-by-numbers kits assure that one's picture actually looks like a day at the beach rather than a chaotic mess, but such blueprints convey no sense of awe or wonderment in the viewer at the long-honed skill and craftsmanship or the potentially epic vision within the heart and mind of the painter. Tocqueville's (1850) "delicate art of civil association" lacks aesthetic value if the society in question is not free and the agents within it are denied a hand in contributing to its final image.

The systemic overestimation of a government's ability to solve social problems stems partly from an undervaluing of the potentials of market ordering and by default an overvaluing of the potentials for governmental ordering. Fike and Gwartney (2015) find frequent and thorough descriptions of market failures across economics textbooks, yet almost no dedicated treatments of government failure(s). Moreover, nonprofit organizations and what are often called civil society processes are conspicuously absent from this analysis, as neoclassical political economy often ignores an entire sphere of social relations that both presently carries heavy responsibilities for

social problem-solving and arguably possesses great latent potentials for innovative resolutions to future social problems still currently unknown.

Hence, researchers have begun to notice and highlight the conceptual limitation(s) of the dichotomous neoclassical framing of markets apart from governments and the private sphere apart from the public sector. Many collective-action processes in society do not map neatly onto private-market or public governmental characterizations. Religious groups, familial networks, charities, and not-for-profit operations, along with clubs, fraternal orders, and mutual aid societies are all obvious examples of sometimes formal organizations and sometimes informal cultural networks that obviously contribute to public welfare and solve real social problems. But these processes are not particularly motivated by pecuniary profits, nor are they necessarily dependent on governmental financing or management. Such record-correcting is similar to Ostrom's (2010) call to move "beyond markets and states."

The term *civil society* is often used to describe this third realm of social ordering apart from market and state actions. The term has ancient origins, as Aristotle and Cicero used it to refer to the collective actions of citizens to promote the public welfare. Subsequently, theorists across divergent ideological commitments have imbued the term with similarly divergent meanings. Many classical liberals of the Scottish Enlightenment and beyond included civil alongside commercial society as subcomponents of a voluntary sphere of social relationships, in contrast to the compulsory elements of political authority (Ferguson [1767] 2020; Tocqueville 1850). Smith ([1762] 1978, 563) contrasted the strategic opportunities available to all self-interested agents, who could choose either the voluntary means of "truck, barter, and exchange," or the coercive and predatory means reminiscent of a Hobbesian state of nature—raping, pillaging, and plundering, as Boettke (2016) summates nicely. Classical republican thinkers viewed the civil more synonymously with the political spheres of community; like the ancients, they saw both as primarily motivated by public or social, rather than private, interests. In contrast, Hegel, Marx, and subsequent so-called modern liberals have viewed civil society as a sort of metacategory encompassing both commercial and civic arrangements, but ultimately serving as a necessary complement for the cultural maintenance of the communitarian state. Here *civil* is used with more explicitly synonymous connotations to *public*, *social*, or *governmental*. The modern parlance surrounding "civil servants" showcases the changing intonations and tension across classical and modern liberal definitions. In short, the most common and intuitive examples of civil servants in today's society (teachers, firefighters, police officers, and so on) are all conspicuously positions of government employment.

A growing field of "entangled political economy" has correctly noted serious limitations and tensions from the grammatical categories commonly assigned by popular models of political economy. Whereas rigid dichotomies across states and markets broadly matched a social reality when political structures were more often

monarchical and effectively monopolized the sources of authoritative power and influence, modern democracies, replete with citizens serving a multitude of social roles and functions, make static comparisons of alternative incentives across fixed institutional categories far more difficult and complicated. The civil rights movement was correct to recognize the inherently public-serving nature of privately owned restaurants and storefronts. Despite serving one of the commonly accepted core functions of state governments, national defense today is directly dependent on the productive capacities of dozens if not hundreds of private contracted firms. The borderlines between markets and states, and between private and public spheres, are blurred by the entangled networks of relations and incentives common throughout modern democratic polities, if only because citizens in democratic regimes play multiple roles across alternative social spheres.

The central argument of this paper is threefold. First, entanglement theorists are correct that the social ordering of society is poorly described by the dichotomous identifiers of markets and states and private and public spheres. Second, this descriptive weakness of the neoclassical paradigm has practical consequences for solving real social problems. Our models must be accurate for them to work. Most missing is a thicker description of the potential of all voluntary formats for individual choice and social problem-solving, including both for-profit and not-for profit endeavors more akin to Smith and other classical political economists' original framing. But how does one conceptualize an alternative realm from markets and states such that its practical potentials are communicated and commonly understood amid the rigorous fields of social science and technocratic bureaucracies? Third, there are merits to the conceptual terminology developed by Richard Cornuelle (1983) of "the independent sector" above and beyond civil society as it correctly identifies a sphere of social ordering apart from the distinctive effects of coercive enforcement.

In short, the independent sector is that realm of society that operates relatively devoid of governmental or partisan influence. The verbiage and theory of an independent sector carries three conceptual benefits over those of civil society. First, a focus on organizational independence attenuates the conceptual challenges associated with political entanglement (Wagner 2016). Second, understanding independence at the organizational level may well lend itself to quantifiable measurement and academic research standards. Third, a focus on organizational independence renews a conceptual appreciation for the classically liberal distinction between voluntary and coercive social orderings.

The remainder of this paper is organized as follows. Section 2 outlines three competing models of political economy: classical, neoclassical, and entangled. Furthermore, it describes each framework as consisting of descriptive, diagnostic, and prescriptive components. Section 3 compares each competing vision across its three component forms of claims. Absent the ability or intention to identify and describe the independent sector, the various fields of social science and inquiry cannot hope to

infer either accurate diagnostics of cause and effect related to its operation or sound prescriptive recommendations for political change. Section 4 describes the conceptual merits of a focus on the independent sector and provides some recommended areas for future research. Section 5 concludes.

Identifying the Core Components of Competing Frameworks of Political Economy

Ultimately, the purpose of political economy, akin to any other systematic approach to comprehending society and human events, is to inform the present and future efforts of social problem-solving. When confronted with some social problem, market ordering processes and governmental ordering processes each represent potentially useful resources to deploy in response. The pressing question is which institutional arrangement will better resolve said social problem at lower social consequence. Hence, given its proactive nature, political economy tends to transcend the typically rigid borderlines between positive and normative analysis (Buchanan 1999). Furthermore, human beings and human societies pose unique methodological challenges for scientific inquiry. Hayek (1952), for one, believes that the misapplication of natural science methods onto the subject matters of human choice and group dynamics results in substantial errors and unintended consequences. Smith and Wilson (2019) emphasize the similarly socioevolutionary conditions that Hayek (1988) noticed, wherein human cognition, moral empathy, and social psychology all seem better suited to small, intimate group settings than to large-scale bureaucracies or entangled networks of anonymous agents. I concur with Smith and Wilson that the more classical-oriented framework of political economy developed by Adam Smith and his Enlightenment peers seems better attuned to the humane features of social problem-solving than do modern and contemporary methods. Without sound methods in social science, our comprehensions of social change are wanting, and our policy recommendations therefrom are prone to error. In this vein, many of the tensions across the divergent models of political economy can be understood as alternative approaches to grappling with these and similar fundamental issues.

For the purposes of my argument, I make distinctions across three unique frameworks of political economy: classical political economy, neoclassical political economy, and entangled political economy. Classical political economy was essentially forged by the classical economists amid the Scottish Enlightenment and is commonly associated with the thinkers therein. Such thinking relatively fell out of academic and political influence in the wake of the Great Depression and was largely displaced by the competitive paradigms of both Marxism and Keynesianism in the early twentieth century. Given space constraints and broader margins of disagreement, I will forgo engaging or including Marxism or Keynesianism directly in this comparative analysis.

Neoclassical political economy is arguably the most dominant and mainstream framework today. It took ascendancy in the late 1970s, as its applications for macro policymaking were embraced when Keynesianism proved impotent against the concurrent social challenges of both high and rising inflation and unemployment coupled with the later collapse of the Soviet Union and the Washington Consensus thereafter. Relative to the backdrop of Keynesian macroeconomics, neoclassicism across applied subfields represented a renewed appreciation for the foundational role played by market institutions for economic development and national economic performance. But differences between the classical and neoclassical approaches to political economy are real and more than skin-deep.

While neoclassical policy inferences echo and resonate some similar notes and melodies from the classical tradition, much of the descriptive and diagnostic claims—or, staying with this music metaphor, the instruments and techniques—of neoclassicism are substantially remastered from their classical forms. Again, neoclassicism has forgone much of its soulful grounding in individual rights, autonomy, and humanism in favor of quantitative measurement, formal modeling, and technical attempts at solving resource optimization challenges (Mirowski 2001). From framing research questions, to selecting core behavioral assumptions, leveraging formal modeling adjustments, and designing policy prescriptions, neoclassicism has consistently provided intellectual support for governmental intervention and regulation above and beyond the laissez-faire implications and suggestions of the classical tradition.

Entangled political economy is a relatively new but growing critique of neoclassical political economy. Those who appreciate the challenges of entanglement do not stand alone. This framework is heavily informed and complemented by a broad variety of subfields such as Austrian economics, Public Choice, constitutional political economy, new institutional economics, and agent-based modeling—all seeking a more nuanced and accurate comprehension of social complexity and the challenges such inherently pose for social science and political economy.

Each of these three frameworks can further be dissected into three constitutive components: descriptive claims, diagnostic claims, and prescriptive claims. Descriptive claims focus on the stylized facts of reality. At first glance, descriptive claims seem the most positivistic of the three component areas of any political economy paradigm. However, it is worth remembering that normative commitments are somewhat inevitable influences on even descriptive research efforts, as normative priors obviously shape what subject areas and social outcomes are more or less worthy of attention and therefore partially determine what subjects are more demanding of recording, measurement, and systematic investigation. Similarly, forms of methodological and epistemic bias are also likely to shape the content of descriptive claims, as things that are easier to observe, recognize, and measure receive an inherent privilege of priority when shaping broader social theories. But social science aims to find meaningful truth and inferences above and beyond the terrain where the light just happens to be brightest.

Diagnostic claims take form as theories and evidence regarding the cause-and-effect relationships of society. Whereas descriptive claims are static, diagnostic claims are dynamic and thus require more consideration regarding the proper epistemological methods of scientific evidence and causal proof. Diagnostic claims in the social sciences are again more challenging relative to the natural sciences, as processes of change consist of purpose-driven human choices and complex patterns of strategic human interactions rather than definitive and predictable effects among natural elements. Mises was reportedly fond of quipping, "If you throw a rock into a river, it sinks. If you throw a stick, it floats. . . . But a man in a river must chose to swim or drown." Hayek (1973, 39) remarks similarly, when he identifies the role of humane "purpose" as the most important component for comprehending spontaneous orders.

Hence, diagnostic claims of political economy depend on accurate assumptions about the descriptive nature of human cognition, agency, and incentives. If a paradigm of political economy is informed by biased or entirely false descriptive facts, then its inferred theories of social causation will also be prone to error. One cannot assess the economic consequences of a historic change in tax policy if one lacks the ability to measure and account for the values of wealth and economic activity before, during, and after the change. The same is true for knowing accurately the size, application, and compliance of the tax.

Unlike descriptive and diagnostic claims, claims of prescription entail proactive and pragmatic efforts to implement changes and specific outcomes in the present and future patterns of society. Naturally, prescriptive claims are the most normatively laden component of political economy frameworks, as prescriptive claims explicitly make judgments about what sorts of effects and outcomes ought to be pursued relative to others and at what cost. The alternative "souls" and "animating spirits" of political economy are essentially normative commitments about what a good and desirable society or community is. A committed egalitarian will seek to align public policies and constitutional structures to achieve forms of social, political, and economic equity, whereas a committed liberal will prioritize freedom over equality. Furthermore, prescriptive claims tend to implicitly entail descriptive and diagnostic claims. An argument that more government ordering is needed to enhance economic performance in the present and future often implies that government ordering played a similarly necessary or beneficial role in economic development processes of the past. Hence, prescriptive claims are again inherently dependent on and informed by both descriptive observations and diagnostic theories, and thus will be prone to the normative influences therefrom as well.

Comparing the Component Claims across Competing Frameworks of Political Economy

The descriptive claims of classical political economy in the Enlightenment era set the tradition on a path to major relevance in social science and political theory, if only because the nature of the relevant facts at the time were so significant and historically

unique. It is arguably not coincidental that the Enlightenment, a tremendously influential field of social philosophy and science ever since, developed in tandem with the rise of industrialization and the tremendous increases in material production entailed therefrom. A currently popular graph traces the massive accumulation of material wealth over time, which McCloskey (2011) refers to as "the great fact." When classical thinkers viewed the real and fast-changing world around them, the most striking facts demanding account and explanation were twofold: First, relative to the recent past, society had become fabulously productive and wealthy. Second, this great enrichment was not enjoyed equally by all; rather, the pattern of where and when such industrial strides were occurring correlated with the differential economic and social policies being pursued across different national regimes.

These directly observable facts essentially determined the forms of diagnostic research most needed in social theory. What are the causes of economic development and growth, and why are some nations so rich while others are so poor? Naturally, Smith's (1776) magnum opus provides extensive descriptions of the division of labor as an answer to the first, and of the political conditions to plug into the global web of commerce provided by regimes of "peace, easy taxes, and tolerable administrations of justice" as an explanation for the latter. In terms of political economy, such insights were revolutionary, as social functioning and social progress were previously assumed to be more the byproducts of wise and beneficent rulers. So out of step was the simple observation that ordinary citizens guided primarily by self-interest were ultimately most responsible for the churning and advancement of society that Mandeville's (1714) original presentations of such arguments were often condemned and debased.

Given the descriptive facts and diagnostic theories of classical economics, what were the associated prescriptive insights of classical political economy? Classical political economists were arguably less concerned with defining explicitly distinct boundaries across markets and states or private and public spheres, though their framing of meaningfully distinct modes of human decision-making were also informed and shaped by the existing governmental and market structures commonplace at the time, nonetheless. Relevantly, this time period was a proverbial crossroads in the major and dominant forms of governance across Western history.

Preceding the Enlightenment era was the rise, dominant reign, and eventual weakening of monarchical city-states and serfdom social hierarchies. Those who held political power were entirely distinct classes of political agents socially, politically, and economically separated from ordinary citizen subjects. Hence, the term *subject*. Such recent historical realities were common knowledge for all educated and engaged intellectuals of the time and thus convenient reference points for the observations and comparative theories of classical frameworks.

Smith's emphasis on the voluntary methods of "trucking, bartering, and exchanging"—apart from what Boettke (2016) refers to as the "Hobbesian propensities to rape, pillage, and plunder"—inevitably maps closely across market and

governmental processes at the time. Yes, any ordinary citizen can, and is enticed to, commit force and fraud against her neighbor(s), but amid basic laws and punishments protecting persons and property along with omnipresent threats of personal vengeance and social sanctioning, most ordinary citizens must leverage primarily voluntary associations to navigate the world and prosper therein. In contrast, though the intentions of the ruling elites at the time could conceptually be motivated by altruism or the public welfare, all such leverages of power and influence inherently and transparently rested on a very real and present threat of relatively monopolized physical force and authority (Tilly 1992; Olson 1993).

Although the Enlightenment began shortly after the relative decline of feudal monarchies, it was also in part coincidental with the American Revolution and the innovative forms of governance that came in stride. Though nominally democratic relative to European political forms of the day, the earliest American social realities reaffirmed stark contrasts between voluntary and governmental sectors of society if only because early American government was fiscally and authoritatively small and geographically distant. How will a small town provide roads and needed infrastructure? In short, voluntary efforts had to find a way, as little to no viable alternative existed. In the early colonial frontier, most social functions—even those typically assumed to be the proper role of government—were financed and organized by voluntary efforts. Such blatantly obvious and consistently reported descriptions of "the American sense of community" by the likes of "Tocqueville, Dickens, Lord Bryce, [and] John Stuart Mill," confirmed that it was "more highly developed than anywhere else in the world" (Cornuelle 1983, 10), thus reaffirming the broader framework of classical political economy. The majority of social ordering was the result of voluntary initiatives and innovations; government power when present came at the cost of oppressive enforcements and unintended consequences.

The classical vision reigned dominant until the beginning of the twentieth century, when the fast sequence of World War I, the Great Depression, the New Deal, and World War II radically reshaped the intellectual and public faith in unhampered markets and voluntary efforts. The classical balance across the market and government ordering was upended. Previously, governments provided a necessary minimal foundation of lawmaking, enforcement, and social order with voluntary citizens and commercial enterprises left free to discover and innovate in the remaining social space. Marxism and Keynesianism presented substantive critiques to the liberal order via focused attention on inequality, harsh working conditions, systemic unemployment, and macro volatility. No longer were social problems seen as an inevitable condition of life to be met in stride by motivated efforts and ingenuity across a variety of voluntary efforts; instead such problems were conceptualized as inherent features of the liberal order itself, desperately in need of governmental interventions to assure well-being, fairness, and civic peace. Not only did leaders and citizens alike lose a sense of faith in voluntary ordering,

but governmental programs also substantially displaced the previously vibrant quilt of American civic organizations and voluntary groups (Beito 2000).

Just as historic events upended the established dominance of the classical model, the 1970s also imposed serious challenges to the practical efficacies of Keynesianism. Again, neoclassicism represented a renewed appreciation for market economies, but in the new landscape of an America relatively gutted of its voluntary associations, the neoclassical framework had a much different set of normative priors and descriptive facts to build from. Market economies were formally delineated with corporate entities and formal contracts, primarily motivated by pecuniary incentives and stockholder bottom lines. Governments, in contrast, were representative through democratic deliberations and electoral politics, and local services were bureaucratized and became the primary purveyors of the most basic needs to those individuals seemingly left behind by the fast-paced and high-stakes churn of cut-throat competition.

Market economies seemed inherently prone to cyclical volatility, bouts of systemic unemployment, corporate greed, pollution, etc. Thus, beyond the minimalist role of a night watchman, governmental strategies were conveniently turned to as a viable source of solutions to the myriad of modern problems seemingly stemming from market operations. Markets and voluntary efforts were not the primary tools of social problem-solving but rather deeply flawed institutional patterns in need of constant regulation, intervention, and guidance in order to function properly.

Again, much criticism has been properly leveled against neoclassical political economy as it tends to project systemic dysfunction onto market agents and operations while rarely admitting to systemic corruption, bloated inefficiencies, or needless largess from governmental efforts. Entangled political economy in some ways represents a needed critique of both neoclassicism and Public Choice critiques thereof. Eusepi and Wagner (2011) argue that the strict dichotomy between markets and states was more appropriate for a political reality composed of monarchical forms and obvious hierarchies. In contrast, democratic electoral processes blur the lines between who acts within what institutional setting and according to which incentive scheme. Governmental agents are no longer a distinctive class; they are instead elected representatives with experience across industrial, agricultural, commercial, charitable, legal, and political careers. Behavioral symmetry has much work still to do beyond markets and states.

A business executive in today's mixed economy cannot focus only on production technologies and price competition. Instead, she must also navigate a terrain of strategic lobbying efforts, regulation compliance, and tax complexity—each with long and variable lags that shape incentives and opportunity costs for both private and collective action opportunities thereafter. Similarly, an elected representative enters office with a myriad of constituent interests apart from her geographic territory as she maintains social networks from her past career, along with familial and community networks, and retains a vested financial interest across her personal investments,

assets, streams of wealth, and future career path in politics and beyond. Seemingly core governmental functions are deeply entangled with the private sphere. Where would the American military be without IBM or Lockheed Martin? Inversely, where would Blackwater's business model succeed devoid of government contracts?

Centering Organizational Independence

When describing the need to reinvigorate the soul of political economy, Buchanan (2000, 166) applauds recent efforts, noting that "classical liberals are beginning to redraw the playing fields as they introduce comparative league tables that place emphasis on measuring liberty." Here I assume Buchanan is referencing the widely successful Economic Freedom of the World (EFW) index. Informed by classical and neoclassical insights regarding the exclusivity between market and state ordering, researchers have designed dozens of proxy variables across five areas: the size of government, legal systems and property rights, sound money, the freedom to trade internationally, and regulation. In essence, economic freedom is defined inversely to the size and scope of government, which thus provides a convenient proxy variable for well over a hundred nations to represent how free individual citizens and companies are to participate in economic activities therein (Gwartney et al. 2023). Similar categories inspired de Soto (2003) as well as other related indices such as the Doing Business index of the World Bank.

Yet such an endeavor to measure the totality of the independent sector is perhaps akin to measuring the emptiness of space. Throughout history the borders and parameters of states and even private business enterprises are relatively obvious and measurable. Yet, the voluntary sphere of social ordering contains a myriad of beliefs, preferences, choices, and group behaviors, all less hospitable to quantitative measurement, formal modeling, or statistical predictions.

A conceptual focus on the independent sector has much potential to address the proclivities of the neoclassical paradigm to ignore nonprofits, churches, and similar entities, but it remains too abstract and ephemeral to quantify comparably alongside formal government and market spheres (Devereaux and Peng 2020). Thus, I recommend a focus on measuring and understanding organizational independence rather than the independent sector writ large. It is perhaps impossible to determine how accommodating a national polity is to independent initiatives if we do not have an accurate measure of the size and operation of independent initiatives. Even the proper method is uncertain. While a metric of the latter is and perhaps will forever remain difficult, what could be developed is a method to ordinally rank formal organizations as more or less independent from one another. The contemporary education system is perhaps an ideal sector to fit into such a schema.

Currently, American children are and can be educated across a variety of formal educational models. Least independent would obviously be the public school system, wherein the building, financing, accrediting of faculty, setting of curriculum

standards, and tracking of outcomes are all produced and organized by electoral representation, political appointment, and bureaucratic oversight. Likely furthest from public schooling and most independent would be private efforts at unschooling, perhaps followed closely by homeschooling. Unschooling is rooted in skepticism regarding the restrictive and regimented nature of formal educational environments. Children are instead monitored in their endeavors of play and exploration with a mind's eye of complementing their experiences with the knowledge and insights of science, mathematics, and humanities when needed and in proportion to the child's expressed enthusiasm and relevance to the child's interests. Homeschooling need not embrace the unschooling ethos, but children's curricula and learning schedules are still designed and managed more by parents and private tutors than by formal school bureaucracies. Neither approach is wholly independent of governmental influence, as general laws regarding truancy and against child labor compel all parents and guardians to conform to some base educational standards and outcomes.

More educational models fill out the remaining space of the spectrum of organizational independence. Private schools come in both parochial and secular varieties. Charter schools and school voucher programs provide some opportunity for parents to choose from different educational models. And public schools have partially diversified, with magnet programs targeting students of both advanced and diminished capacities in turn. From such identifiable organizations a motivated researcher could garner meaningful and measurable proxies from which to compare different educational operations from the vantage of independence. Does the organization take governmental funds? If so, how much? Do organizational leaders engage in public lobbying or hold public office? To what extent does the organization conform to state-managed curriculum designs and state-promoted materials? Do organizational norms and processes mimic the political fashions and trends of the surrounding dominant partisan interests?

The formal firms and businesses within the for-profit sector are also subject to varying degrees of organizational independence. Organizational models in the for-profit sector do not map as neatly onto obvious demarcation lines of independence (private, public, charter, and so forth) as do organizations in the educational sector. On the other hand, future research efforts aiming to investigate the patterns of organizational independence in the for-profit sector may benefit from the relative convenience of more accessible and reliable data points. What percentage of sales stems from government contracts? How many, if any, employees hold or have held political office? What portion of a firm's revenues is subject to taxation? To what extent does a business engage in lobbying? How much regulation and potential for regulatory capture exist across different industries? Such points of information are likely more accessible and trackable in quantitative forms thanks to public tax documents and accounting records.

Naturally, the wide diversity of organizational types and product offerings across for-profit firms creates challenges for those attempting to compare them.

One could imagine ordinal scales aiming to capture relative organizational independence across firms selected by product type, firm size, market share, or profits. Such could further be tracked and compared using other indices of corporate performance currently gaining in popularity, such as the previously mentioned EFW index, the newly popularized environmental, social, and governance (ESG) score, or simply the Dow Jones Industrial Average.

In short, independence should be thought of as a spectrum, with some organizations and economic sectors being wholly independent from governmental influence through finance, management, and operation; other outfits being fully governmentalized; and other, mixed models nestled somewhere in between the two poles. Thus, the conditions of entanglement provide possible proxies for delineating where on such a spectrum any given organization or grouping thereof can be situated. One obvious drawback to this proposed method is its limited ability to cross-compare wholly distinct endeavors of productive effort. In other words, what would it mean to compare the relative independence of a particular model of schooling with that of a chain restaurant or international parts manufacturer? Hence, unique spectrums of organizational independence would likely be needed across varied but distinct industries and sectors. Most notably, one can foresee a useful index of independence for nonprofit organizations, philanthropic outfits, religious organizations, large-scale Fortune 500 companies, and beyond.

Conclusion

As has been discussed thus far, attention to what Cornuelle refers to as an "independent sector" conveys a critique of the strong dichotomies between markets and states similar to that found throughout those varied fields of study appreciative of the idea of civil society. However, unlike the colloquial usages of *civic engagement*, *civil society*, and *civil servants*, the independent sector does not synonymize as easily with public and governmental functions. The notion of organizational independence groups together commercial and nonprofit sectors by their shared identities as voluntary rather than coercive endeavors, akin to the original models of classical political economy. An effort to measure and rank organizational operations on a spectrum of independence may prove useful not only for disentangling the complex networks of interrelated incentives replete throughout democratic polities, but also for providing needed empirical fuel for a research program to navigate the realm of professional academia as well as public debates on political economy.

References

Akerlof, George A. 1970. The Market for "Lemons": Quality Uncertainty and the Market Mechanism. *Quarterly Journal of Economics* 84 (3): 488–500.

Axelrod, Robert. 1984. *The Evolution of Cooperation*. New York: Basic Books.

Bator, Francis M. 1958. The Anatomy of Market Failure. *Quarterly Journal of Economics* 72 (3): 351–79.

Beito, David T. 2000. *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890–1967*. Chapel Hill: University of North Carolina Press.

Boettke, Peter J. 2012. *Living Economics: Yesterday, Today, and Tomorrow*. Oakland, Calif.: The Independent Institute.

———. 2016. Pessimistically Optimistic about the Future. *The Independent Review* 20 (3): 343–46.

Boettke, Peter J., and Peter T. Leeson. 2004. Liberalism, Socialism, and Robust Political Economy. *Journal of Markets and Morality* 7 (1): 99–111.

Boettke, Peter J., and Alain Marciano. 2015. The Past, Present and Future of Virginia Political Economy. *Public Choice* 163: 53–65.

Buchanan, James M. 1999. Politics without Romance. In *The Collected Works of James M. Buchanan*, Vol. 1, *The Logical Foundations of Constitutional Liberty*, 45–59. Indianapolis: Liberty Fund.

———. 2000. The Soul of Classical Liberalism. *The Independent Review* 5 (1): 111–19.

Buchanan, James M., and Richard E. Wagner. 1977. *Democracy in Deficit: The Political Legacy of Lord Keynes*. New York: Emerald.

Caplan, Bryan. 2001. What Makes People Think like Economists? Evidence on Economic Cognition from the Survey of Americans and Economists on the Economy. *Journal of Law and Economics* 44 (2): 395–426.

———. 2006. *The Myth of the Rational Voter: Why Democracies Choose Bad Policies*. Princeton, N.J.: Princeton University Press.

Cornuelle, Richard. 1983. *Healing America: What Can Be Done about the Continuing Economic Crisis*. New York: G. P. Putnam's Sons.

D'Amico, Daniel J. 2017. The Social Provision of Punishment and Incarceration. *American Journal of Economics and Sociology* 76 (5): 1107–32.

de Soto, Hernando. 2003. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books.

Devereaux, Abigail, and Linan Peng. 2020. Give Us a Little Social Credit: To Design or to Discover Personal Ratings in the Era of Big Data. *Journal of Institutional Economics* 16 (3): 369–87.

Eusepi, Giuseppe, and Richard E. Wagner. 2011. States as Ecologies of Political Enterprises. *Review of Political Economy* 23 (4): 573–85.

Ferguson, Adam. (1767) 2020. *An Essay on the History of Civil Society*. Indianapolis: Liberty Fund.

Fike, Rosemarie, and James Gwartney. 2015. Public Choice, Market Failure, and Government Failure in Principles Textbooks. *Journal of Economic Education* 46 (2): 207–18.

Gwartney, James, Robert Lawson, and Ryan Murphy. 2023. *Economic Freedom of the World: 2023 Annual Report*. Vancouver, Canada: Fraser Institute.

Hayek, Friedrich A. 1944. *The Road to Serfdom*. Chicago: University of Chicago Press.

———. 1952. *The Counter-Revolution of Science: Studies on the Abuse of Reason*. Indianapolis: Liberty Fund.

———. 1973. *Law, Legislation and Liberty*, Vol. 1, *Rules and Order*. Chicago: University of Chicago Press.

———. 1988. *The Fatal Conceit: The Errors of Socialism*. Chicago: University of Chicago Press.

Klein, Daniel. 2007. Should Coercion Count? The Place of Liberty in Economic Theory. *CATO Unbound*. May 2007. https://www.cato-unbound.org/issues/may-2007/should-coercion-count-place-liberty-economic-theory/.

Mandeville, Bernard. 1714. *Fable of the Bees; or, Private Vices, Publick Benefits*. London: J. Roberts.

McCloskey, Deirdre N. 2011. *Bourgeois Dignity: Why Economics Can't Explain the Modern World*. Chicago: University of Chicago Press.

Mirowski, Philip M. 2001. *Machine Dreams: Economics Becomes a Cyborg Science*. Cambridge: Cambridge University Press.

Olson, Mancur. 1965. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, Mass.: Harvard University Press.

———. 1993. Dictatorship, Democracy, and Development. *American Political Science Review* 87 (3): 567–76.

Ostrom, Elinor. 2010. Beyond Markets and States: Polycentric Governance of Complex Economic Systems. *American Economic Review* 100 (3): 641–72.

Pennington, Mark. 2011. *Robust Political Economy: Classical Liberalism and the Future of Public Policy*. Cheltenham, U.K.: Edward Elgar.

Pigou, Arthur C. 1932. *The Economics of Welfare*. New York: Macmillan.

Rizzo, Mario. 2005. The Problem of Moral Dirigisme: A New Argument against Moralistic Legislation. *New York University Journal of Law and Liberty* 1 (2): 790–844.

Smith, Adam. (1762) 1978. *Lectures on Jurisprudence*. Indianapolis: Liberty Fund.

———. 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations*. London: W. Strahan and T. Cadell.

Smith, Vernon L., and Bart J. Wilson. 2019. *Humanomics: Moral Sentiments and the Wealth of Nations for the Twenty-First Century*. Cambridge: Cambridge University Press.

Tilly, Charles. 1992. *Coercion, Capital, and European States, AD 990–1992*. New York: Wiley Blackwell.

Tocqueville, Alexis de. 1850. *Democracy in America*, Vol. 2, *Influence of Democracy on Progress of Opinion in the United States*. New York: Saunders and Otley.

Wagner, Richard E. 2016. *Politics as a Peculiar Business: Insights from a Theory of Entangled Political Economy*. Cheltenham, U.K.: Edward Elgar.

Yaeger, Timothy J. 1999. *Institutions, Transition Economies, and Economic Development: The Political Economy of Global Interdependence*. New York: Perseus.

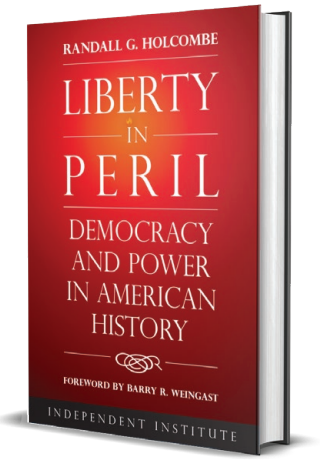
SUBSCRIBE NOW AND RECEIVE A FREE BOOK!



"***The Independent Review*** does not accept pronouncements of government officials nor the conventional wisdom at face value."
—**JOHN R. MACARTHUR**, Publisher, *Harper's*

"***The Independent Review*** is excellent."
—**GARY BECKER**, Nobel Laureate in Economic Sciences

Subscribe to ***The Independent Review*** and receive a free book of your choice such as ***Liberty in Peril: Democracy and Power in American History***, by Randall G. Holcombe.



Thought-provoking and educational, ***The Independent Review*** is blazing the way toward informed debate. This quarterly journal offers leading-edge insights on today's most critical issues in economics, healthcare, education, the environment, energy, defense, law, history, political science, philosophy, and sociology.

Student? Educator? Journalist? Business or civic leader? Engaged citizen? This journal is for YOU!

Order today for more *FREE* book options

SUBSCRIBE

The Independent Review is now available digitally on mobile devices and tablets via the Apple/Android App Stores and Magzter. Subscriptions and single issues start at $2.99. **Learn More.**



Download on the App Store | GET IT ON Google Play | Available on MAGZTER

INDEPENDENT INSTITUTE, 100 SWAN WAY, OAKLAND, CA 94621 • 1 (800) 927-8733 • ORDERS@INDEPENDENT.ORG