

[Economic ideas and politics](#) [1]

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I addressed a meeting of Cambridge University's Marshall Society in King's College last night. It was in Keynes Hall, with a bronze bust of Keynes looking in from the side of the stage. My theme was "The Influence of Economic Ideas on Politics," and I began with Adam Smith, the Scottish economist who overturned the prevailing view that nations became rich by exporting more than they imported.

Influenced by Smith's ideas, successive British governments liberalized duties, taxes and regulations, culminating in the repeal of the Corn Laws in 1846. It unleashed a period of unparalleled prosperity in Britain.

Next I cited John Maynard Keynes, who taught that governments could regulate the business cycle to some extent by "priming the pump" with public spending at times of insufficient private spending to boost employment levels. The Keynesian approach dominated the post-war consensus, with government playing an active and leading role in economic management. Politicians liked to be seen to be doing things and in control instead of simply reacting to events.

Although Milton Friedman was famous for monetarism, I suggested he probably played a larger role in discrediting government intervention and boosting the case for private enterprise and opportunity in its place. He certainly played a leading part in emboldening governments to undertake privatization and the reassertion of market economics in the final quarter of the last century.

Following the financial crisis of 2008, I suggested that the Austrian School was now winning the argument about its causes, pinning responsibility firmly on the cheap borrowing instigated by governments and central banks that lay behind the credit bubble and the careless risk-taking that accompanied it.

My final note was that despite what economics teaches, politicians would probably continue to advocate silly things such as a financial transactions tax, or punitive tax rates on high achievers, and would continue to damage and limit wealth creation by an excessive preoccupation with its redistribution.

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