

## The Power of Ideas: The “Peter Boettke” Strategy for Advancing the Science of Prosperity

**Jennifer Dirmeyer**  
Hampden-Sydney College

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### Abstract

This article examines the strategy that Peter Boettke employs to advance the science of prosperity. The strategy is designed to produce research that is grounded in good economics and has the potential to create social change. To that end he advocates research that is good, charitable, and relevant as a means to increase the legitimacy of spontaneous order solutions to social challenges.

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### I. Introduction

I entered the graduate program in economics at George Mason University in fall 2004 as a research assistant to Dr. Peter Boettke, an honor I did not fully appreciate at the time. During our second conversation, as we were discussing a paper he was writing, he called one of our mutual acquaintances “crazy.” I replied; “Hello, pot. This is kettle calling.” His response, to laugh and then repeat the exchange to everyone that we knew, is indicative of the radical divergence Pete Boettke’s treatment of graduate students takes from the norm. Instead of hiring graduate students as inputs into his production of research, he recruits nascent “creators” of economic research as partners.

This strategy reflects Boettke’s vision of economics as a force directing social change and is reflected in the mission of the Mercatus Center, where he is the Vice President for Research;

Our mission is to generate knowledge and understanding of how institutions affect the freedom to prosper and find

creative solutions to overcome barriers that prevent individuals from living free, prosperous, and peaceful lives.<sup>1</sup>

From Peter Boettke I learned that there are specific and predictable links between social and political policy and prosperity. As economists, particularly political economists, our role is to clarify and define those mechanisms so that human societies can achieve better lives. Ideas matter, and how we define our rightly understood interests will shape the way we attempt to organize ourselves, and ultimately, our ability to continue to improve the human condition.

The task of political economists is enormous, and the challenges are many. The relationships between politics, economics, and prosperity are complex and difficult to define, the currently fashionable methodology of economics often obscures the truth rather than revealing it, and many of the natural tendencies of collective action tend to reduce prosperity. To achieve our goal, then, it is necessary to shift people's ideas concerning the legitimacy of spontaneous order as a means of achieving social goals.<sup>2</sup> This requires building respect and trust both within the scholarly community and society as a whole so that when circumstances force people to reevaluate long-held favored beliefs, there is a legitimate candidate to fill the empty niche (Boulding, 1956, p. 47).

To accomplish this, Peter Boettke has set about building a network of like-minded scholars and future researchers whose aim is to advance the science of liberty and prosperity. He offers a strategy for effective research that I have attempted to loosely organize here. The "Boettke" strategy for social change rests on the notion that ideas can affect the world, and therefore, as scholars, we must endeavor to do research that is good, charitable, and relevant. If we achieve this, we can harness the power of ideas to advance liberty and prosperity for all.

## II. The "Boettke" Strategy

### *A. Be Good (Economists)*

The foundation of Peter Boettke's strategy for social change is good economics. Boettke describes his research agenda, the study of

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<sup>1</sup> Mercatus Center Mission Statement, <http://mercatus.org/about>

<sup>2</sup> Kenneth Boulding, a teacher and mentor of Boettke, identifies legitimacy as the force behind the power to create social change (Boulding, 1990, p.10).

“comparative political and economic systems and their consequences with regard to material progress and political freedom,”<sup>3</sup> as a continuation of the Smithian project to understand the “nature and causes” of prosperity and freedom.<sup>4</sup> The relationship between policy and prosperity can only be understood as a subset of the general process that translates individual action into social organization. Economics, as a “human science,” can “derive laws that (have) the same ontological status as the laws derived in the natural sciences, yet account for the complexity of the human experience (Leeson and Boettke, 2006, p. 248).” However, not all economics is good economics.

Although the “factors” of growth have been pretty well identified – increases in per capita factors of production and improvements in technology lead to increases in per capita income – the “nature and causes” of growth remain illusive. Continuing the “Smithian” project requires an understanding of social coordination within different frameworks. In order to understand why increases in capital, labor, and technology sometimes generate the positive feedback loop that characterizes prosperous societies and sometimes do not, it is necessary to understand the interaction between individual choice and institutional context.

Understanding this interaction requires a methodology that allows economists to study the process that drives market coordination instead of one that concentrates only on the results of that process. The Austrian methodology, illuminated by Ludwig Von Mises (1949), requires a commitment to individualism, subjectivism, and market process (Boettke, 1998, p.536). Because of the insistence on clarifying the process that translates individual choices into social phenomena, this methodology is capable of discovering relationships between institutions and prosperity that the neo-classical methodology is not.

The contributions of F.A. Hayek are especially important in explaining the link between policy and prosperity, not because he

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<sup>3</sup> From Boettke’s introduction to his Publications page on his website; <http://econfaculty.gmu.edu/pboettke/pubs.html>

<sup>4</sup> The “Smithian” project refers to Adam Smith’s (1776) attempt, in *An Inquiry Into the Nature and Causes of the Wealth of Nations*, to understand the sources of prosperity and growth with specific reference to the role of individual incentives in the coordination of the market and the importance of the political framework within which individuals operate.

points out the causes of failure, but because he reveals the immense challenges to success. Hayek defines the central economic problem as coordination in the face of massive ignorance (Hayek, 1948, p.78). In order to achieve an efficient allocation of resources, it is necessary to utilize the local and specific knowledge of each market participant (Boettke, Coyne, and Leeson, 2008, pp.4–5). Boettke describes the market as “a learning system that prods economic actors to adjust their behavior...as they proceed through time” (Boettke, 2004, p.4).

Kirzner explains that rather than using economics to explain equilibrium prices and quantities, “we look to price theory to help us to understand how the *decisions* of individual participants in the market interact to *generate* the market *forces* which *compel changes* in prices, in output and in methods of production and the allocation of resources” (Kirzner, 1973, p.6).<sup>5</sup> If we can understand why individuals are more successful at overcoming ignorance in some institutional settings than in others, the link between policy and prosperity becomes more obvious.

In order to answer the tough questions about the nature of prosperity, economics must be able to move beyond equilibrium theorizing to understanding the means of moving toward equilibrium. This focus, Boettke argues, is that of the “mainline” of economics, and is necessary to understand why political, or top-down solutions fail to generate prosperity (2007b, pp.7–8). “Our argument is not that the cost of acquiring relevant knowledge is too high; it is that knowledge generated is always context specific, and in the political context this knowledge of entrepreneurial profit opportunities is necessarily absent (Boettke, Leeson, and Coyne, 2007, p.131). This insight is hidden without an understanding of the market process of knowledge generation.

### *B. Be Charitable*

Darwin once wrote that for observation to be of any service it had to be for or against something.<sup>6</sup> A corollary to this would be Boettke’s insistence that all facts are theory laden and to insist otherwise is to obfuscate the theory that is directing your presentation of the facts (Boettke, 1997, p.11–12). The implication of these statement is that in order to be good scientists, we must set up

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<sup>5</sup> Emphasis added.

<sup>6</sup> As quoted in Shermer (2008, p.xvii)

our theories as arguments for or against some prevailing theory and subject them to the rigorous disagreement that advances scientific discourse. While this is true, it leads to a culture that is rather like a battleground, albeit a very civil one, and could lead to a failure to advance science with cooperation. It is to this point that Boettke implores his students and colleagues to be as inclusive as possible, both in terms of finding allies and engaging adversaries.

The first component of this approach may best be characterized as an extension of Mises' "value-free" economics, a rhetorical technique meant to shift the focus from the goals of a policy to its likely outcome (Boettke, 1998; p.534). As Boettke argues, "political economy can become a value-relevant discipline only to the extent that the economics approximates value-neutrality" (Boettke, 2007c, p.26). In other words, if we wish to be able to judge the ethical and moral aspects of a particular policy, then we must first discover what the results of that policy will be without attempting to judge the value of it. Positive economics comes before normative judgments.

Secondly, by assuming positive motives on the part of other actors, we can build trust and respect as we demonstrate that the outcomes associated with their policies are often in direct conflict with the goals. As Boettke explains of the Enterprise Africa project, "We can agree completely, that there is something unjust and tragic about the situation in Africa, but argue that the means to address the end of alleviating the injustice is not global redistribution" (Boettke, 2007a, p.2). If we emphasize our common goals rather than our disparate ones, we increase the likelihood of our research and ideas being given serious consideration.

### *C. Be Relevant*

"Political and economic ideas can and do have consequences in the real world of public policy" (Boettke, 2007b, pp.9-10). The study of economics gives us an enhanced ability to make sense of the world. Much like physics and biology increase our understanding of the physical world, economics, politics, and philosophy increase our understanding of the social world. That being the case, as economists we "should be mindful of our relevance to public policy debates. We do better economics when the work we do is relevant to addressing real-world problems" (Boettke, 2002, p.33).

Boettke argues that the role of the economist goes beyond understanding and communicating the workings of the market. In

order for our research to be relevant to policy, we must inform individuals of “what they cannot achieve” (Boettke and Coyne, 2006, p.64). The role of the political economist is to define the constraints within which policy and individual action operate. If these constraints are not recognized, then well-meaning policy can have harmful unintended consequences. Just as Adam Smith revealed the consequences of government manipulation of capital to be detrimental to society (Smith, 1776), the modern political economist must make clear the realities attendant to various policy choices.

From the time of Adam Smith, political economists, philosophers, historians, and others have argued over the relationship between policy and prosperity. The problem is that whatever gains classical liberal political economy achieves are generally lost in times of crisis (Boettke, 2007b, p.32). The incentives facing voters and politicians, our cultural perspective on government, and perhaps even our genetic evolution all work in concert to push society toward more government intervention rather than away from it. There are moments when the “sea” of public opinion threatens to overwhelm political sense, and it is the task of the political economist to illuminate the path that our actions set us on.

### **III. Conclusion**

“There must be an alignment of ideas and circumstances for rapid change based on ideas to be manifested in public policy” (Boettke, 2007b, p.10). Social change, like any change, requires power. Kenneth Boulding, one of Boettke’s teachers, defines “power” as “a potential for change” (Boulding, 1990, p.15). At its heart, the potential for social change comes from the legitimacy that is granted to ideas. As a political economist dedicated to the advancement of prosperity and liberty, Boettke’s strategy is to harness the power of the truth to achieve political reform that will improve the lives of individuals everywhere on earth.

Advancing liberty and prosperity requires clarifying the relationship between policy and prosperity, convincing the public that the connections exist despite their complexity, and discovering ways to incentivize policy that reflects these relationships. The likelihood of success in this endeavor will be determined by our ability to increase the legitimacy given to spontaneous orders as solutions of social challenges and to increase awareness of government

limitations. This requires a strategy to produce research that builds respect and trust along a network of scholars.

There have been times in history when ideas and circumstances have combined to produce beneficial social change, just as there have been times when ideas and circumstances have combined to produce harmful change. Many of the most destructive practices of Mercantilism were ended when the work of Adam Smith combined with a weakening British empire. The Great Depression resulted in a legacy of government intervention when the theory of underconsumption ruled the policy response. The financial crisis of 2008 may be one such circumstance that has the potential to cause a major shift in political economy. As political economists, if we follow Peter Boettke's lead to develop research that is grounded in good economics, charitable and relevant, we might have a chance to ensure that it is a movement toward prosperity and not a deviation from it.

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