

Teaching Economics Through Ayn Rand: How the Economy is Like a Novel and How the Novel Can Teach Us About Economics

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I have been teaching college-level economics since the mid-1980s at various colleges and universities, to a wide variety of students, and within different classroom settings. As a graduate student, I taught a graduate-level course to elementary school teachers on how to introduce economics to young kids; as a new assistant professor, I taught large sections of introductory economics; at three different universities, I have taught in the Honors College to the best and the brightest, and I have taught the one-semester course on economics for non-majors. In teaching undergraduate economics in these alternative settings, I have had to adjust my teaching style in the attempt to communicate with my students to maximize the chance that they will learn the material in an effective and enjoyable manner. In this effort, I have tried different lecture styles, shown movies, watched documentaries, used newspapers and magazines, and conducted classroom experiments.

One constant in all of this experimentation in teaching economics is that the best textbook for introducing economics to the uninitiated that I have found is Paul Heyne's book *The Economic Way of Thinking*.¹ Another constant that I have continued to come back to was the use of novels as a teaching tool in economics, and from the beginning I have used Ayn Rand's *Atlas Shrugged* (1957) as one of the primary novels. I often like to assign *The Grapes of Wrath* (1939) by John Steinbeck and *Atlas Shrugged* by Ayn Rand and ask the students to

write a term paper on which novel is more informed on economics and why that matters for the relevance of the narrative constructed in the books.

This exercise in comparative literary analysis has proven to be a very effective teaching tool and serves to emphasize the three points that I want to make in this essay. First, in teaching economics, while it is important to stress the logic of economic concepts, pure logic rarely excites the minds of the uninitiated while a good story sticks in their heads.² Second, the real economy, the public policy debates surrounding it, and the evolution of its operation are necessarily told to listeners in a narrative form. How good a teacher an economist is is largely a function of how good a story he can construct. When we try to communicate economic ideas and economic history, we tell a story and this is as it should be because the economy really is an unfolding story and learning economics is ultimately how to read that unfolding story. Finally, there is no better economic storyteller in the novel form than Ayn Rand.

In *We the Living* (1936), for example, the horrors of socialist economic policy are explained as is the loss of the individual's rights that result from pursuing a collectivist ideology. At the time she wrote this book, it is important to recognize that while a few other writers saw the consequences of collectivist ideology, most thought that collectivism would produce better economic conditions in terms of technological progress. Rand would have none of that. Of course, *We the Living* and *The Fountainhead* (1943) are less focused on the economics of collectivism than on the impact of collectivism on the creative initiative of man and his sense of life. In *Atlas Shrugged* (1957), we get a full-blown treatment of not only the moral degradation of collectivism, but the economic infeasibility of the collectivist ideology.

As I will attempt to document, Rand in *Atlas Shrugged* communicates to her readers within the context of a beautifully constructed story the basic insight concerning the perverse incentives of collectivism, the inability to engage in rational economic calculation without private property, the law of unintended consequences in interventionism, and the interest-group logic of political capitalism. Business,

unions and government, under the sway of collectivist ideology, inevitably introduce violence into what otherwise would be peaceful social cooperation, and thus destroy it. By contrast, Rand's novel also details the benefits from voluntary exchange, the importance of a sound monetary standard, and the role of individual initiative and creativity as the engine of economic progress.

In what follows, I will present a brief discussion that builds on the work of Deirdre McCloskey, arguing that the economy should be understood as a novel, justifying a narrative form of argumentation rather than the more standard notions of mathematical proof and tests of statistical significance. In short, I will argue that the narrative form is not just what we adopt when we attempt to teach economics, but it is the way we communicate with one another even in our most scientific endeavors whether we recognize it or not. Our teaching function simply serves to accentuate our task as scholars—the development and exposition of the concepts and principles best suited to aiding our understanding of economic reality.³ I will then turn to documenting examples from *Atlas Shrugged* where Rand is able to communicate to her reader basic principles of economics and political economy through the narrative she constructs in that work. In conclusion, I will return again to the theme of conceiving of the art of doing and teaching economics as the art of constructing a good story. In telling that story, we can learn the principles of economics that are in operation in the real world, and which, if understood, provide the intellectual foundation for a free and prosperous society.

Storytelling in Economics and Telling the Story of an Economy

Whether we like it or not, what we economists do when we attempt to communicate our ideas—even just to our fellow economists—is tell a story. This is true whether we are working with pure theory or working with data. We cannot escape storytelling. We tell stories about the evolution of ideas, where there are central characters (it doesn't matter if the character is Smith, Marx, Keynes, Samuelson, or Lucas), a general plot (usually begun in an equilibrium

situation), usually a crisis (a disturbance to that equilibrium), and a resolution to end our telling of the tale (a new equilibrium). We rely on all the classic tools of rhetoric to communicate economic ideas among our peers. Of course, this is not our self-image, but it is our reality as McCloskey (1985; 1990; 1994) has gone to great pains to point out in a series of works. And, as she so boldly reminds us, there is nothing to be ashamed about in this fact. Economics is a human science because we humans practice it. So even in our most valiant efforts to provide scientific proof and statistical rigor, it is in our communicative capacity that we construct a narrative, which we hope will excite the imagination of our peers and provide persuasive information to them for their use in constructing their own narratives.

As we move away from communicating with our professional peers and instead focus on engaging those outside our academic discipline, or students to whom we hope to communicate the power of the economic way of thinking, we turn more explicitly to the narrative form. The economists Richard Nelson and Sidney Winter (1982) once dubbed this moment in economic analysis as “appreciative” theorizing (46). We try to get others to “appreciate” the beauty of the economic forces at work in the stories that we tell about reality. Economic theory provides a framework for appreciation, and a tool of inquiry; in application, this tool is flexible enough to aid in the art of economic interpretation, yet rigorous enough to provide our story with a logical argumentative structure. When we contemplate the power of the market economy, for example, we don’t just tell students about the price and quantity vectors and issues of efficiency (productive, exchange and product-mix). However important the market clearing aspect of competitive markets is, we also try to emphasize dimensions not so easily rendered in the price and quantity vector space—aspects like variety, quality, aesthetic concerns, convenience, responsiveness to consumer tastes, and accountability to consumer demands. Our “appreciation” of markets exceeds our formal rendering of the benefits of markets. Nelson and Winter’s point, and it is an important one, is that we are lesser economists to the extent we don’t recognize that our appreciative understanding often outdistances our formal understanding.⁴ This is true for our

exercises in high theory, and it is obviously even more true for our attempts at explaining the workings of an economic system to those who are uninitiated in the discipline of economics. For our purposes, the most important point of this discussion is that, given the limited capacity of formalism to capture the various dimensions of economic life, our only recourse is to adopt the narrative form.

The reader should not be misled by my embracing of the narrative form and rhetoric. Yes, we economists are storytellers, and we cannot help but be such. But not all stories are good ones. The art of learning economics is to a considerable degree learning to distinguish critically between good stories and bad. Adam Smith ([1776] 1976, 8) explained the greater productivity of the division of labor by reference to a pin factory, and David Ricardo ([1821] 1951, 128–49) relied on a story about the production of wine in Portugal and England to communicate the principles of comparative advantage. These are good stories and they are good precisely because they didn't require the reader to suspend logic in order for them to accept the point of the tale.⁵ But Marx's discussion about surplus value and the exploitation of the working class did require a slip of logic to make the story work out, as Böhm-Bawerk ([1898] 1975) so vigorously pointed out. And Keynes's story about unemployment actually assumed what it was that it had to prove (as Hayek [1941] 1975, 373–76 argued) and required those most affected in his story to be deluded in a manner that violated their own interest (as Friedman [1977] 1987 and then Lucas and Sargent [1978] 1981 argued). Some economic stories are science, others are science fiction, and the study of economics is vital to making that distinction.⁶ The speaking and writing skills of an economist are vitally important, but they do not determine the truth value of the story they construct. John Kenneth Galbraith (1958), for example, is a master writer and storyteller, but he is simply not a very good economist. As a result, the stories he constructs about the workings of the capitalist system are well written exercises that are either logically coherent but incomplete pictures of economic reality or illogical flights of fancy.

To sum up, my point is rather simple. We cannot escape the narrative form of communicating. Moreover, we shouldn't try to

escape it. Economics, as McCloskey has argued, is an exercise in rhetoric. But this does not mean that economic science is *mere* rhetoric. There is an art and a science of doing economics. Despite the fact that all we have in economics (or any human endeavor to understand the world, each other, or the relationship between man and the world he occupies) is stories, not all economic stories we tell are equally valid.

The economy itself is an ever unfolding human drama and is necessarily revealed to us in narrative form. In one essay, McCloskey (1994, 367–78) details how the economy itself is best seen as conversation. Here she shows, drawing from works in economic history, philosophy, biography, and fiction, how vital talk is to the operation of business, technological innovation and the economy as a system. The market for hogs, for example, cannot be fully understood using the tools of supply and demand curves. Its operation will turn crucially on how people talk in that market and about that market. “An economy that depends on speech is one that can be listened to and read, like a text” (378).

And once we realize that a human economy is one that can be, and must be, read as a text, we must take the next step and realize that all readings are contested readings. The stories that economists tell about the economy inevitably impact not only our shared understanding of economics as a discipline, but even more profoundly the public policies we should be adopting. If the tale about capitalist development as monopolistic exploitation becomes widely accepted, then public policies that are meant to curtail this exploitation will be adopted. Economists often distinguish themselves from others within the policy community mainly because of the different story they would tell about the same phenomena. As McCloskey (1990, 150) puts it: “The worldly philosophers change the world with their stories and metaphors. There’s work for the econo-literary critic in showing how the rhetoric matters to policy and in distinguishing the good stories of policy from the bad.”

I now turn to *Atlas Shrugged* and try to cull from the narrative Rand constructs the economic principles she is working with. Her story, I contend, is built on solid foundations from the teachings of

economics. Her work highlights the importance of private property rights in providing incentives; she highlights the mutually beneficial aspects of exchange, and she exalts the human achievement of innovation and wealth creation. The story she constructs is simple and profound at the same time: What would happen to an economy if the men of achievement decided that they would stop working? In working out the answer in detail and in imagining the circumstances under which such a drastic situation would emerge, Rand communicates the principles of economics through the narrative form as well as anyone ever has.

The Economics of *Atlas Shrugged*

As a matter of record, Rand's economic education was a function of common-sense and Ludwig von Mises.⁷ She was a staunch anticommunist since her youth and a defender of individualism against collectivism. She developed in her own mind an individualist philosophy, which she dubbed Objectivism. In so doing, she claimed originality as a philosopher. But she did not claim originality in economics. She made it clear to her followers that her economics came from the leading free-market advocates of her age—Henry Hazlitt (1946) and Ludwig von Mises (e.g., 1949).⁸ Hazlitt acknowledged Mises as the greatest economist of modern times, and Rand took that endorsement as her own as well. Rand, however, disagreed with Mises (and Hazlitt) on the moral defense of individualism. Both economists subscribed to a form of utilitarianism, whereas Rand built her moral case from an “objective” ethics. We need not go further into the disagreements between Rand and her economist friends for our present purposes.⁹ Instead, I want to focus on the basic principles she learned from Hazlitt and Mises and how she then tried to communicate those ideas in narrative form through the story of *Atlas Shrugged*.

These are the basic principles of economics that one would find in Hazlitt and Mises:

1. Bad economics looks only at the immediate consequences

of an action or policy, whereas good economics looks at both the immediate consequences and the longer term consequences of any action or policy.

2. Private property and the price system work to coordinate the economic activities of millions of individuals in a harmonious manner through the realization of mutually beneficial exchange.

3. Interference with the price system leads to distortions in the allocation of resources.

4. Taxation discourages production.

5. Inflation is socially destructive because it distorts the pattern of exchange and production and breaches trust in the monetary unit, which links all exchange activity.

Both Hazlitt and Mises thought the project of economic literacy was essential to establishing and maintaining a free and prosperous commonwealth.¹⁰ This task was quite difficult for two reasons: (1) economics requires that the reader follow long chains of logical reasoning to sort out the consequences of any action and policy, and (2) special interest groups are constantly pleading their case. The difficulty of reasoning economically from first principles to logical conclusions combined with unmasking the sophisms of special interest groups led Hazlitt and Mises to devote their lives to economic education through the written and spoken word.

It is my contention that Rand picked up that challenge and attempted to provide economic enlightenment to her readers through the story of *Atlas Shrugged*. The book is no doubt one of the most philosophical novels of the twentieth century—whatever one's judgment is of that philosophy—but learning philosophy through Rand is not my topic. Instead, my concern is with learning economics through Rand and here I believe one would be hard pressed to find a more economically literate novel written by a noneconomist.¹¹

I will make use of passages from *Atlas Shrugged* to demonstrate the principles Rand attempts to illuminate in her novel. Rand's message was that if the men of achievement stopped allowing themselves to be exploited by lesser men, then the social system of

exchange and production would come to an abrupt stop. The reader is led to realize that the prime mover of progress is the bold individual living by his reason and pursuing his own self interest. Collectivism in all aspects of life, Rand informs us, is a false ideal that must be eradicated from our minds and hearts. In the economy, the individuals of achievement are represented by industrialists and entrepreneurs. The government through policies of taxation and regulation attempt to live parasitically off these individuals of achievement and the masses are deluded by ideologies that justify the theft. Rand postulates that the system only continues to plod along because these men of achievement allow the parasitic system to continue to live off them. If they reject the parasite, the culture of parasitism and all who live by its code will wither and eventually die. Rand's protagonists are the men of achievement who persuade others of the parasitic nature of the culture of redistribution and government control of business, science, law, scholarship, and the arts. Her basic point is unassailable. What indeed would happen if the innovators and wealth creators in a country simply shrugged and stopped allowing themselves to be taxed, regulated and controlled against their will? A collapse of the economy would indeed ensue.¹²

Atlas Shrugged was first published in 1957. We have to remember the economic and social ideas that were dominant in the post-World War II period. First, this was the beginning of the Keynesian hegemony in economic theory and public policy. The main idea was that a market economy was not self-regulating and was prone to business cycles caused by irrational swings of pessimism and optimism on the part of business. It was for the government's macroeconomic policymakers to ensure full employment, utilizing monetary and fiscal policy tools to make sure that macroeconomic imbalances did not occur. Second, not only was the profession preoccupied with macroeconomic instability, and government's role in correcting it, but there was little faith left in the efficiency claims of a market economy in a microeconomic analysis. The market economy was said to suffer from problems of wasteful competition, monopolistic tendencies, and externalities—all of which required proactive government policies to correct for the failures of voluntary

action to promote a harmony of interests. Finally, in the aftermath of the Great Depression and World War II, socialism was seen as not only a viable alternative economic system, but as a morally superior economic system. The classical economic idea of *laissez faire* was challenged on every conceivable front by the academic elite, among the decision makers in Washington D.C., and throughout popular culture. Paul Samuelson (1948, 152), in his popular principles of economics book, summed up the sentiments of the time:

No longer is modern man able to believe “that government governs best which governs least.” In a frontier society, when a man moved further west as soon as he could hear the bark of his neighbor’s dog, there was some validity to the view “let every man paddle his own canoe.” But today, in our vast interdependent society, the waters are too crowded to make unadulterated “rugged individualism” tolerable. The emphasis is increasingly on “we’re all in the same boat,” “don’t rock the craft,” “don’t spit into the wind,” and “don’t disregard the traffic signals.”

Perhaps nineteenth-century America came as close as any economy ever has to the state of *laissez faire*, which Carlyle called “anarchy plus the constable.” The result was a century of rapid material progress and an environment of individual freedom. Also there resulted periodic business cycles, wasteful exhaustion of irreplaceable material resources, extremes of poverty and wealth, corruption of government by vested interest groups, and too often the supplanting of self-regulating competition in favor of all-consuming monopoly.

Samuelson argues that, coming out of the nineteenth-century experience, we learned to apply the methods of Alexander Hamilton to achieve the goals of Thomas Jefferson. In other words, we started to use the powers of the state to secure the public interest. Regulation of utilities and railroads were followed by regulation of commerce between the states and the establishment of antitrust laws. Banking regulations were instituted and a central banking system was established. Food and drug legislation was passed in order to ensure

product safety and humanitarian legislation improved the plight of the workingman. Theodore Roosevelt's "Square Deal" was replaced by Franklin Roosevelt's "New Deal" and, according to Samuelson, our democracy can never again allow itself to go backward to the nineteenth-century ideal of *laissez faire*. "Where the complex economic conditions of life necessitate social coordination and planning," Samuelson wrote in a thinly veiled critique of Hayek, "there can sensible men of good will be expected to invoke the authority and creative activity of government" (153). Samuelson even suggests that our failure to recognize the need to reject *laissez faire* and adapt to the changing economic conditions of modernity led to the breakdown of democracy in Germany, the rise of Nazism, and the need to fight the most expensive war to that point in human history (World War II).

Wow, talk about rhetorical flair being used in economics and the construction of a narrative in attempting to get across a point! Who could possibly argue against Samuelson? As readers of this journal know full well, only a handful of economists and intellectuals would resist this line of argument and in the world of the literati only Ayn Rand would stand tall. Buttressed by the economic writings of Hazlitt and Mises, Rand was able to challenge every one of the premises—theoretical, historical, and moral—contained in the line of argument summarized by Samuelson. No wonder one of Rand's favorite lines was "check your premises." *Atlas Shrugged* was her attempt in novel form to challenge each of the Samuelson era's premises and conventional wisdoms.

Consider the scene when Rearden meets with Dr. Potter of the State Science Institute about the introduction of Rearden metal (Rand 1957, 172–75). The economy is in a precarious position and the introduction of Rearden's superior product could disturb that already precarious position. The competition on the market would throw out of business the steel producers who cannot keep up and this could lead to serious "social damage." Rearden informs Dr. Potter that he does not worry about the fate of other companies, but only for the success of his endeavors as judged in the marketplace. Potter's response to this individualist outlook is to inform Rearden that

cooperation between business and government is required in this day and age and that to fight this trend is to create enemies instead of friends in high places. He then offers to buy the rights to Rearden metal with government money. Rearden refuses. Potter ends their conversation by threatening Rearden with government action against his company unless he cooperates.

The scene illustrates important free-market economic principles. The first is that the social responsibility of business is to earn profits—nothing more, nothing less. Second, state involvement in the economy is justified on the nebulous grounds of “social damage.” In this instance, the social damage is caused by a superior firm outcompeting the less effective producers of steel in the marketplace. The claim is being made by Potter that the economy’s balance requires cooperation not competition and that this cooperation will be best maintained via state involvement. But once the state is allowed to be involved in economic decision making, Rand quickly stresses that those in positions of power will wield that power to the advantage of themselves and their friends.

The theme of political pull backed by the threat of violence versus voluntary persuasion on the market is repeated throughout *Atlas Shrugged*. Orren Boyle, a competitor to Rearden who has aligned himself with the state, is described as a man who fails to fulfill contracts, and spends his time pursuing pet projects for a social cause rather than improving his business (202). The mutually beneficial aspects of trade are spelled out by Francisco d’Anconia in perhaps the single most sustained discussion of economic principles in the work when he states: “Money is a tool of exchange, which can’t exist unless there are goods produced and men able to produce them. Money is the material shape of the principle that men who wish to deal with one another must deal by trade and give value for value. Money is not the tool of the moochers, who claim your products by tears, or of the looters, who take it from you by force. Money is made possible only by the men who produce” (387). Money, as the medium of exchange, links individuals together within the economic system and in so doing guides production and exchange. But it does so because “every man is the owner of his mind and his effort.

Money allows no power to prescribe the value of your effort except the voluntary choice of the man who is willing to trade you his effort in return. . . . Money permits no deals except those to mutual benefit by the unforced judgment of the traders” (388). At the end of Francisco’s discussion, he sums up the basic point by stating: “Until and unless you discover that money is the root of all good, you ask for your own destruction. When money ceases to be the tool by which men deal with one another, then men become the tools of men. Blood, whips, and guns—or dollars. Take your choice—there is no other—and your time is running out” (391).

The culture of moochers and looters, not that of producers and traders, is what is evil and leads to economic ruin and political tyranny when followed to its ultimate conclusion. Rand uses as a particular target of derision the legend of Robin Hood:¹³

“He is remembered, not as a champion of *property*, but as a champion of *need*, not as a defender of the *robbed*, but as a provider of the *poor*. He is held to be the first man who assumed a halo of virtue by practicing charity with wealth which he did not own, by giving away goods which he had not produced, by making others pay for the luxury of his pity. He is the man who became the symbol of the idea that need, not achievement, is the source of rights, that we don’t have to produce, only to want, that the earned does not belong to us, but the unearned does. . . . Until men learn that of all human symbols, Robin Hood is the most immoral and the most contemptible, there will be no justice on earth and no way for mankind to survive.” (540–41)

The first demonstration of the perverse consequences of pursuing the principle of need over the principle of productivity is the fate of the Twentieth Century Motor Company. Ivy Starnes, the daughter of an industrialist, regarded her father as evil because he cared for little else but business. When she and her brothers took over the factory, they set out to change that and institute a new order of business based on equity and communal spirit, not profit. “We

brought a great, new plan into the factory. It was eleven years ago. We were defeated by the greed, the selfishness and the base, animal nature of men. It was the eternal conflict between spirit and matter, between soul and body. . . . We put into practice that noble historical precept: From each according to his ability, to each according to his need. . . . It was based on the principle of selflessness. It required men to be motivated, not by personal gain, but by love for their brothers” (302). The plan, we are told, failed miserably.¹⁴ With the incentives for production and innovation absent, the company is led to bankruptcy within a few short years and in the context of Rand’s story it is the beginning of the unraveling of the U.S. economy as the men of achievement begin to refuse to submit to the ideology and forceful rule of the looters and moochers. In the process, Rand’s main heroic character John Galt moves from mythical to concrete status within the book—he was the first to walk out when confronted with the new plan. As Rand would have Galt say later on: “We are on strike against self-immolation. We are on strike against the creed of unearned rewards and unrewarded duties. We are on strike against the dogma that the pursuit of one’s happiness is evil” (937).

Rand’s story is one of the alliance of moochers and looters against the producers and traders. In her description of how the alliance between the moochers and looters formed, she explicates many of the basic principles of public choice economics—namely the concentration of benefits on the well-organized and well-informed and the dispersal of costs among the uninformed masses. The political tug and pull associated with government interventionism reaches its highest form in the discussion of Directive 10-289 written by Wesley Mouch. Economic freedom had been tried, according to Mouch, and failed. Now force must be introduced to coordinate economic activities and fix the ailing economy. Directive 10-289 would provide the necessary powers and policies to accomplish that goal according to Mouch. Mouch is a creature of the political world, neither a man of academic nor business accomplishment, but he is able to climb up the political ranks through connections and unscrupulous behavior. Now he drafts the directive to be put in place to plan the U.S. economy. In the room to discuss the directive with

Mouch are Orren Boyle, James Taggart, Fred Kinnan, and Dr. Ferris. As point after point is introduced, it becomes clear to all who are thinking even a little bit that the plan is completely unworkable and in fact destructive to the economy.

As they jockey with one another to see who is more committed to the ideology of selflessness, labor leader Fred Kinnan finally speaks bluntly and cuts through the haze. “Are we here to talk business or are we here to kid one another?” And then he puts it plainly to all in the room: “All I’ve got to say is that you’d better staff that Unification Board with my men. . . . Better make sure of it, brother—or I’ll blast your Point One to hell” (507). The others in the room are uncomfortable with Kinnan’s forthrightness, but only because he is unmasking the underlying realities. Eventually he gets what he wants. The others in the room are still squeamish about explicit statements of the consequences of their policies and Kinnan does not eliminate their squeamishness when he states: “Well, this, I guess, is the anti-industrial revolution.” When Ferris counters that “Every expert has conceded long ago that a planned economy achieves the maximum of productive efficiency and that centralization leads to super-industrialization” and Boyle chimes in with “Centralization destroys the blight of monopoly,” Kinnan mockingly says “How’s that again?”—recognizing that centralizing is in fact the monopolizing of an economy in the hands of the state and its protected parties. As Kinnan points out when he is told that as long as business respects the rights of the workers, he will be expected to respect the rights of the industrialists, “Which rights of which industrialists?”

Directive 10-289 goes into effect with the approval of the men representing business, science, labor and government—each with their cut of the U.S. economy guaranteed (515).

By contrasting the conscious and deliberate planning of industrialists, such as Dagny Taggart or Hank Rearden, as they conduct business, with the proposed attempts at comprehensive central planning of the economy by government and a consortium of business, labor and government, Rand makes the very important point that the critique of socialism was never against rational planning *per se*. Rather the question was who was to do the planning and the

scope and scale of the plan proposed. Individual- and firm-level planning is an essential part of the capitalist economy and the main driver in this planning process is the search for profit. Government planning of the economy centralizes the planning and attempts to shield decisions from the profit and loss calculus of the market economy. In such an environment, the planners will find themselves without the requisite information to rationally calculate the best use of resources and will lack incentives to be efficient in the attempt to produce. Consistent with economic principles and with Rand's story, the politics of pull will substitute for the lure of profits in guiding exchange and production under these circumstances. The slippery slope that Hayek, Hazlitt, and Mises warned about—where one failed intervention begets another failed intervention—is neatly illustrated in Rand's story. Moreover, as in the work of these economists, the reversal of public policy away from statism and toward freedom will not occur until a sea change in the underlying ideology takes place. So one can read in Rand's novel both the dynamics of interventionism and the mechanism of effective social change that a variety of classical liberal economists since Adam Smith have attempted to articulate in their articles and books.

Conclusion

Atlas Shrugged is arguably the most economically literate work by a major novelist in the history of literature. Daniel Defoe actually wrote in the field of economics, and his story of Robinson Crusoe became the quintessential fictional allusion for economists. But in my opinion, Rand taught more common-sense economic truth than any other novelist. The economic principles her novel sought to communicate were the rewards for productive efficiency and innovation, the benefits of trade, and the destruction of production and the distortions to exchange relationships that result from government intervention in the economy. The novel's main focus is telling the story of the consequences of bad economic policies and of the moral bankruptcy of the ideology of egalitarianism and envy. We get glimpses of the positive benefits from markets in discussions of

the lives of Dagny Taggart and Hank Rearden, the discussions of the economic life of the age prior to the era of egalitarianism and socialism, and the economic organization of the world that John Galt and the others who have gone on strike had created. In Galt's Gulch, money retains its value, rather than being eroded through inflationary policy; men compete to attract customers to their product through adjustments of quality and price, rather than seek government protections from competition; the individual and his unique talents are appreciated, rather than the object of envy and scornful derision. Rand's exercise in contrast could not be starker.

We communicate with others through stories and compelling stories stick in our minds. We cannot escape the narrative form even if we desire to do so. In teaching a technical subject—especially one like economics that has been termed the “dismal science” in direct contrast to the “gay science” of literature—it is particularly important to make the subject come alive for students, by using personalities populating economic models and stories illustrating economic principles. Abstract principles can be explained abstractly in terms of agent A producing widgets to sell to agent B, but will the students remember the meaning of the tale you are constructing? I think the evidence on this is clear. We do best if we take the time to construct a narrative that is compelling to our intended audience. The choice is not between storytelling or no storytelling, but instead between telling stories that are memorable versus telling stories that are boring. Economics is a powerful frame of reference for understanding the world in which we live, and once this frame of reference is adopted by someone, their perspective on the world is forever changed.

Ayn Rand's novel, *Atlas Shrugged*, provides such a compelling narrative and has done so for close to fifty years. The question “Who is John Galt?” makes *Trivial Pursuit* games, but the principles of a free economy and the negative consequences of interventionism that Rand wrote about are not necessarily as widely appreciated as her artistic talents. I hope the next fifty years will see her work recognized as one of the great pieces of literature relevant to economics, and thus utilized more and more in the economics classroom. The principles in Rand's novel will hopefully become not only accepted within a

circle of professional economists, but part of the common knowledge of the people of this country and the world.

Acknowledgments

I would like to acknowledge the comments and criticisms of the editors of this journal, Susan Anderson, Rosemary Boettke, Christopher Coyne, Tyler Cowen, Steve Horwitz, David Prychitko, and Jennifer Smith. In addition, I'd like to acknowledge the financial support of the Mercatus Center at George Mason University. The usual caveat applies.

Notes

1. After Paul was unfortunately diagnosed with an incurable illness, he asked me to consider taking over the textbook and keeping it up to date and in print. Along with David Prychitko, I took on that assignment and in 2002 we published the tenth edition of *The Economic Way of Thinking* as Heyne, Boettke and Prychitko (2002). The eleventh revised edition of the book is now available (Heyne, Boettke and Prychitko 2004), so I may be accused of shameless self-promotion, but given the audience of this journal I trust my readers will instead see this as consistent with the virtue of selfishness.

2. A wonderful collection of a variety of pieces of literature and an explanation of the economic principles conveyed in the passages can be found in *The Literary Book of Economics* by Michael Watt (2003).

3. James Buchanan, who was one of my teachers, is also one of my favorite economists. His essay "Economics as a Public Science" ([1996] 2000) argued that our role as economists in teaching the basic principles of our science so that students can become informed citizens within the democratic process should always be remembered as the primary justification for our salaries. "In modern practice, too much talented intellectual capital is used up in searches for solutions of stylized puzzles with little or no relevance for the ongoing, necessarily repetitive and sometimes boring, activity of 'teaching' the long-accepted principles of the science" (49).

4. In Piaget's theory, this is called the law of becoming conscious: as a rule we know how to do something, on the skill level, before we become able to know how we do it, at a conscious level. Gilbert Ryle distinguished between knowing how and knowing that, while in the work of Michael Polanyi tacit knowledge is contrasted with articulate knowledge. Nelson and Winter are explicitly influenced by Polanyi in their work on the internal organization of the firm, so it is not a stretch to assume that Polanyi's work influenced their general understanding of epistemology in general.

5. The economist as storyteller can also use absurdity to make a lasting point. The most famous example of the use of a *reductio ad absurdum* by an economist is probably Frédéric Bastiat's great satire, originally published in the 1840s, about the candlestick makers petitioning the government to restrict the unfair competition from the sun. See Bastiat 1964, 56–60.

6. Thus, the importance of my classroom experiment in literary criticism between Rand and Steinbeck. The underlying economics of *The Grapes of Wrath* is one of the inherent instability of capitalism, the underconsumption theory of depressions, the exploitation of the worker by business, the inevitable monopolistic tendencies of markets and the view that state monopoly is the natural evolution of unhampered capitalism.

7. It has been argued by Bernice Rosenthal (2004) that the first-hand experience

of economic collapse that Rand acquired in Russia—during World War I, the revolutions, and under communist rule—is the source of Rand’s understanding of economics.

8. In a letter to Martin Larson dated 15 July 1960, Rand (1995, 582) recommends the following works to dispel the myth that the market economy is depression-prone and to prove that depressions are caused instead by government intervention in the economy: “I refer you to such books as *Capitalism the Creator* by Carl Snyder, *Economics in One Lesson* by Henry Hazlitt, *How Can Europe Survive* by Hans Sennholz, and the works of the great economist Ludwig von Mises.”

9. However, for an excellent discussion of ethics as social science and how the Hazlitt and Mises position need not be confined to moral relativism, as Rand thought it must, see Leland Yeager 2001. There is an exchange between Yeager and William Thomas on the subject of that work in the current volume.

10. A wonderful discussion of what Mises thought were the primary objectives in proper economic education can be found in his memorandum of 1948 to Leonard Read concerning the tasks of the newly founded Foundation for Economic Education, where Mises was an advisor to Read. See Mises 1948.

11. I make the qualification about noneconomist only because Breit and Elzinga have used the genre of detective novels (Jevons [1978] 1993; 1985; 1995) and Russell Roberts (2001a; 2001b) has also more recently used the novel form to explicitly teach the principles of economics to their readers.

12. In an irony of timing, the last time I taught from *Atlas Shrugged* we were going over Rearden’s trial when Judge Jackson’s ruling on Microsoft came down. It made for a great week or two of class. The havoc that antitrust policy can have when based on poor economic reasoning was perhaps best summed up by Judge Robert Bork (1978, 92) when he said: “A determined attempt to remake the American economy into a replica of the textbook model of competition would have roughly the same effect on national wealth as several dozen strategically placed nuclear explosions.”

13. As Chris Matthew Sciabarra has pointed out to me, Rand actually saw Ragnar Danneskjöld as an inversion of the Robin Hood legend. Rand’s intellectual style was one that often began with a conventional icon, appropriating it, and then inverting it. Ragnar, she writes in a 30 October 1948 journal entry, is a “Robin Hood who robs the [parasitic] humanitarians and gives to the [productive] rich” (Rand 1997, 585).

14. A thorough discussion of the consequences of Ivy Starnes’s plan at the Twentieth Century Motor Company is provided in *Atlas Shrugged* when Dagny meets a tramp who was a former employee at the company at the time of its introduction (Rand 1957, 616–27). In many ways, this discussion is actually the best discussion of economics in the novel and in particular provides a logical explanation of how the best of intentions are dashed by the inability of government planning to achieve its purpose because of incentives and the unworkability of state planning of the economy, and thus the cumbersomeness of the tasks is exploited by those who seek power to rule over others. “But when the people are six thousand howling voices, trying to decide without yardstick, rhyme or reason, when there are no rules to the game and each can demand anything, but has a right to nothing, when everybody holds power over everybody’s life except his own—then it turns out, as it did, that the voice of the people is Ivy Starnes. By the end of the second year, we dropped the pretense of the ‘family meetings’—in the name of ‘production efficiency and time economy,’ one meeting used to take ten days—and all the petitions of need were simply sent to Miss Starnes’ office” (623). Hayek’s thesis from *The Road to Serfdom* (1944) about both how the worst get on top and the limits of democratic agreement could not have been better illustrated than in the treatment in Rand’s book. The very

unworkability of the ideology of the moochers and the aspirations of planners provides the opportunity for the looters to wield power to their favor for as long as the system lasts.

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