

Firmin Oulès and the "New Lausanne School"

David Sarech (University of Lausanne, Ph.D. Student)

In this paper I will present Firmin Oulès' "harmonized economics" and interrogate the relationship between state and market in his thought. "Harmonized economics" were conceived as the continuation of Léon Walras' theory. The key concept of the first Lausanne school is the notion of equilibrium. Indeed, Walras forged it in order to "scientifically" demonstrate the superiority of a competition-based economy. However, the mathematical approach he chose, as well as his disdain for the orthodox economy of his time, led him to be misunderstood and he did not receive the recognition he was expecting. Thus the concept of general equilibrium would be forgotten until the mid 1950's when it would become the core of microeconomics. However, as recent studies in history of economic thought have shown, the concept of equilibrium in Walras' thought has to be understood in a broader context than a purely economical one. Indeed, the main goal of Walras was to bring an answer to "the social question". Contrary to Marx, he did not think of it as being a problem of profit distribution between labor and capital. Instead he thought the goal of the economist was to create an economic system where everyone would be able to exert its inner abilities and in which inequalities would be based solely on merit. The incentive created by private property and profit-seeking being the groundwork of a flourishing economy, the equilibrium had to be understood as a tool to establish this idealistic society. Therefore the *Elément d'économie politique pure* (1874) were the depiction of this reality while the *Etude d'économie appliqué* (1898) and the *Etude d'économie social* (1896) described what were the necessary reforms to reach it. Walras put great emphasis on the fact that, despite the superiority of competition, some part of the economy had to be managed by the state because competition would not be adapted to it. It is what we would call today "public services". He then argued for a mix policy, half way between liberalism and socialism, where a market based economy who be framed by the state in a non-interventionist way. The goal of the state was to give everyone the same economical condition for starters and then let people "live their life". It would then be pointless to try to correct inequalities *ex post* because the conditions would have been equalized *ex ante* and the resulting inequalities would be based solely on merit.

Oulès tried to continue Walras' idea but the context in which he was writing had drastically changed. Whereas Walras' theorized during the golden age of classical liberalism, Oulès' work was heavily influenced by the rise of planned economy and totalitarianism as well as the subsequent failure of liberalism. In the meantime neoliberalism was trying to

conceptualize a new kind of liberalism in order to save it. Oulès attempt must then be understood as both a continuation of Walras and an answer to the challenge of his time. In the wake of the vigorous research for a renewal of liberalism in the post-war era, Oulès' theory tried to incorporate planning and defense of political and economical liberties. His "harmonized economics" derived from Walras because he placed the concept of equilibrium at the core of his theory. However Oulès abandoned Walras' mathematical conception of the equilibrium and substituted it the notion of "interdependency. One of the main weaknesses, according to Oulès, of Walras' theory was that it was blinded by mathematics. This drove Walras not to give enough credit to political aspects of society and led him to believe that a strict economic approach would be enough to answer the "social question". "Harmonized economics" revolved then around the idea of planning and interdependency because Oulès believed that it was necessary to coordinate the various aspect of political and economical life in order to achieve the equilibrium. He called this particular type of interventionism "planning by enlightenment". It was dedicated to gather information on various aspect of economic life in order for economic actors to take decisions in accordance with what he called the "common good". Not only was it necessary for consumers to have information about what they were buying and selling, what kind of monopolies existed, etc. but it was also necessary to educate them on the various aspect of economic reality in order to be sure that they would not let themselves be "mystified" by politicians.

Oulès deeply believed that modern economic life needed a new kind of government that would allow the most competent member of society to rule in accordance with economic science, but to prevent the rise of a technocracy he also advocated for a system of panel where random citizen would be able to check on what these "competent" individuals were doing and revoke them if they were not taking decisions in the interest of the majority.

Therefore my presentation will be divided in three parts. The first one will concentrate on Walras' political project and how Oulès understood it. The second part will present the economical aspect of the "Harmonized economics" and the third will focus on its political aspect.