STIGLERITE VS. FRIEDMANITE SCIENCE

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When I was a second-year assistant professor at the University of Chicago I heard a coffee-room dispute between Milton Friedman and George Stigler that made a great impression on me, and makes Daniel Klein's point. Milton was complaining about protection. George said (from a foot above: Milton is unusually short and George unusually tall; their tennis games on the court over at the Quadrangle Club were therefore a local sensation), "Milton, you're such a preacher! If people wanted efficiency they could have it." Milton replied, "But people are misled. I want to teach them." "Teach! Don't waste your words."

I was George Stigler's colleague for twelve years and can attest that Klein is correct in saying that Stigler believed "the persuasive power of conversation is negligible." It's a wonder that George wrote anything at all, so persuaded was he that Interest dominated Mere Words. Why bother "preaching" against the errors of the Harvard School of monopolistic competition, for example, if the school's foundation in academic interest is so plain? They say what they say because the money's there, not because they are making arguments open to learning. Though George was a skillful arguer and one of the best stylists in economics (for what that commendation is worth), at a theoretical level he had no appreciation of Rhetoric. Adam Smith began his career teaching rhetoric to Scottish boys and ended making it the foundation of his ethical system. As Klein remarks, "Austrian economics and Deirdre McCloskey," and Adam Smith, and Milton Friedman, think differently. We think that words matter.

A long time ago Michael Oakeshott wrote that knowledge is information plus judgment. We are accustomed to viewing the amount of "information" on the Internet with wonder or alarm. Isn't it wonderful, this massing of information, "at our fingertips," we say. But information unjudged is useless. The Moscow phone directory of old, it is said, was filled with errors. Using it required an exercise of judgment—textual criticism, say, that would emend a "34" to "43"; or a grasp of what sectors were likely to be more reliable than others. And even using the London directory, which we may assume is without blemish in the matter of sheer information, requires judgment. To whom do you wish to call? For what pragmatic purpose? With what persuasive intent? At what time of day? What *do* these numbers mean? A computer lacking common sense or socialization would have no idea how to use such knowledge, because knowledge, with that element of judgment, is a human game, serving human meanings.

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The point is simply that judgments and meanings are made within human speech communities. We "make people willing to see certain basics" in economics *rhetorically*. And the rhetor, the good person skilled at speaking (as Quintilian put it), is just what Klein is recommending. We economists are skilled at making the simple, mixed fact-and-intellectual-tradition judgments most people miss: to mention the judgments I have made today reading the newspaper, that it is lunacy, for example, for Norwegian sheep farmers who produce $70 of product per sheep to be paid $200 of subsidy per sheep by Norwegian taxpayers to do it; that when non-Vietnamese artificial fingernail technicians in California complain about the non-FDA approved ingredient used by the Vietnamese at half the salons, they are protecting their incomes, not the consumers; or that California freeways would have optimal congestion instead of the insane amounts they have now if they were not free.

I do not think Klein makes his case against "fancy models or econometrics" quite explicit (it should be noted, to speak of *ethos*, that Klein himself is very well versed at least in fancy models, and can proffer irrelevant existence theorems with the best of them; so he speaks from knowledge, not ignorance). He may inadvertently leave the impression that something is actually being accomplished of a scientific character in mainstream economics—though the word "scholasticism" suggests he shares my doubt. My doubt is that anything much of value *scientifically* has come out of American academic economics since Samuelsonian economics took over the center c. 1950. I disagree that "model building and econometrics are great blessings," at any rate in their Samuelsonian form: existence theorems plus statistical significance have been known for decades to have nothing whatever to do with scientific thinking. The nouvelle Chicago concession in the 1980s to theorem-provers in Stanford and Harvard has made the situation worse and worse. Now, as Klein notes, nothing of value gets into journals of economics. I read a paper earlier today by a young economist who believed that the behavior of medieval English peasants can be deduced, with no recourse to facts, from blackboard assumptions (for example, that the peasants loved each other and would help one of their number who fell on bad times).

My point is that the above-the-fray scholasticism that Stigler and his heirs at Chicago, such as Gary Becker and Robert Lucas, recommend is phony as science. This despite their Nobel prizes, God bless 'em. The emperor has no clothes. (Incidentally, people usually say it was a little *boy* in the Anderson story who made this observation. I have checked, and report that the gender of the child is not actually specified. I prefer to think of it as a little *girl*, since females are more apt to see through male illusions than males are.)

So I agree with Klein, but would go even further in getting back to Adam Smith. We need people to take their courage in hand and start doing real economic science. *That* science will be policy-relevant, all right, as relevant as old Adam's unScientific books of 1776 and 1790.