RESPONSE FROM AN ECONOMIST WHO ALSO FAVORS LIBERTY

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First let me congratulate Daniel Klein for having said many things that are both true and actually agreed to by economists of many different persuasions. The profession is excessively scholastic. It gives insufficient weight and reward to policy discourse. Klein also contributes interesting discussion of certain topics—hollow ideology and preference falsification—that ring true in general terms and do not depend on his specific point of view.

I would qualify Klein’s indictment in several respects. While the American Economic Review may be hopeless, in recent years other journals—the Eastern Economic Journal notably but also the Journal of Economic Perspectives—have built welcome niches for intelligent discourse. The annual professional meetings of the economists have become more policy relevant, due mainly to a proliferation of splinter organizations with policy concerns.

Further, a new generation of leading policy economists—Joe Stiglitz, Paul Krugman, Richard Freeman among them—has emerged, filling a niche that had threatened to lie vacant. One may hope that space may eventually open in the best economics departments for capable young scholars in this public-spirited and activist tradition, and if not there, then in schools of government and public policy, and that the latter will grow and prosper at the former’s expense. While I cannot be sure that Klein agree with these sentiments in all details, we can be confident that if he belonged to the same “half” of the economics profession as I do, he would.

What distinguishes the new generation of policy-relevant mainstream economists? They are not, alas, philosophical Keynesians. But they often arrive at Keynesian policies by elaborate neoclassical routes—by building asymmetric information or increasing returns or externalities into an otherwise orthodox model and tracing through the implications. They combine a facility with this method and an openness to empirical observation, the choice of important cases, and a willingness to tackle hard problems of policy design and to consider ingenious solutions to particular policy problems. Moreover, they are willing to devote time and energy to explaining the issues to a larger public—whether in economic policy journals like Challenge or broader public forums like The New York Times. In these respects they do resemble Keynes, who remains the ultimate example of a modern economist who could do it all.

So what is the problem over there on the libertarian side? Klein is right: there is a problem—the libertarians are strangely quiet these days. One might think that new libertarian voices would emerge in the Bush era, when many actual libertarians
are closer to state power than ever before. But no. There are no new Friedmans, no Hayeks, no Wanniskis, no Gilders to chorus in the new regime, to lend it an air (badly needed one might add) of intellectual authority.

I think I know the reason. The libertarians, let me suggest, have lost the courage of their convictions. Libertarian followers of Lucas, unlike, say, those of Tullock, rarely speak on public questions for a simple and well-considered reason. What they do is, indeed, very implausible. It cannot be conveyed to the ordinary literate and sensible person because, once the assumptions are spelled out, the ordinary literate and sensible person will reject them.

Furthermore, no one any longer believes Milton Friedman's old methodological saw about false assumptions being irrelevant—as long as the "implications" are valid. The point made against Friedman long ago by Tjalling Koopmans [1959]—that this allows one to escape all difficulties by reclassifying unpersuasive implications as assumptions—is elementary enough to be grasped intuitively even by those who will never read Koopmans. Better to be a scholar, in short, than a figure of fun.

A second group of scholars is silent on policy questions for a different reason: the scholasticism that is increasingly up-and-coming inside economics no longer supports the libertarian view. It would be quite dangerous for a serious student of, say, game theory or non-linear dynamics or of models with multiple equilibria to delve too deeply into the policy implications of such work. Such forms of modern economics simply no longer support the libertarian political viewpoint, and to make this too widely known would greatly jeopardize right-wing support for mainstream economic research.

Klein tries to address these difficulties by arguing that libertarian economists should perhaps dispense with their scholastic underpinnings, and devote themselves wholly to the policy arena, becoming full-time promoters of free markets and detractors of government. But what would they then be? Simple-minded parsons, television preachers, talk-show hosts, hammering away at sin and liberalism day after day. For those of even slightly flexible intellectual temperament, this would quickly become a terrible bore.

It is also no way to build a great church. A high theology needs a high priesthood. Marxians needed Marx, Keynesians needed Keynes, and the libertarians need Hayek (and they can have him, too). Keynesians, old and new, should only wish for libertarians to take the low road en masse—the route of professional and more importantly intellectual self-destruction. But it is fair to say that the great body of libertarians are too sensible to do this.

Then there is a third problem, which Klein signals in his brooding discussion of Stigler. Surely the question of whether bad policy is motivated by error or greed is, at some level, empirical. And surely the budding libertarian, if she is open-mindedly interested in spreading the good word about small government and free markets, must from time to time find herself in the company of mining interests who favor self-audits of their cyanide lakes, loggers who favor wilderness roads, sweatshop operators and fast food franchisers who oppose the minimum wage, media moguls who hog the public airwaves, financial manipulators and stock jobbers and the whole coterie of political forces that surround an amiable front man like George W. Bush.