

REJOINDER: RESPONSE TO COMMENTS

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The Everyman has always been the practitioner of political economy. The problem addressed by my paper is this: How do economists contribute to society when the actual practitioners are so rude in their understanding of economics? Economists have long struggled with the practitioner problem:

Good Lord! What a lot of trouble to prove in political economy that two and two make four; and if you succeed in doing so, people cry, "It is so clear that it is boring." Then they vote as if you had never proved anything at all. [Frederic Bastiat, 1850, 11]¹

In latter-day economics the practitioner problem entwines with the professional problem of scholasticism and irrelevance. Hence I plead with economists. My plea attempts to enliven thought about the interlocking problems. I follow especially closely Deirdre McCloskey, except that my plea is directed especially to economists with libertarian sensibilities. Because an economist's sense of calling is, in the final analysis, *not* separable from her political ideology, there is a niche for a discussion that proceeds upon my exclusionary presuppositions.

My plea is similar to many since 1930. That my bottle of old wine (some would say, *whine*) elicits a "hear, hear" from leading classical-liberal economists such as Professors Kirzner, McCloskey, and Tullock heartens the author. To be commented on by them as well as by Professors Frank, Galbraith, and Goodhart is a great honor.

Professors Tullock, McCloskey, and Frank graciously wrote comments mostly to support the cause, and I find little to quarrel with. So just some very quick replies to those three.

I still say that Professor Tullock is innocent of how participating in public discourse and talking seriously about policy can injure one's standing with colleagues and the profession, maybe because he found a special niche in time, place, and personality in which doing so, on the contrary, won him professional recognition.

I think Professor McCloskey might overstate the barrenness of modernist modes of discourse. When she writes, "existence theorems plus statistical significance have been known for decades to have nothing whatever to do with scientific thinking," is she speaking specifically of the two taken together, or of, as well, each taken separately? Existence theorems are pretty inane, but game theory and some canonical

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equilibrium models may be good training and good lessons, and statistical significance, though neither necessary nor sufficient, is not unrelated to economic science.

When I read Robert Frank's friendly critique of my "highly circumscribed" vision, I rushed back to my own paper, asking myself: Did he misread or did I miswrite? I think it is about half and half. With Bob Frank I fully agree that not every bad policy or proposal has rent-seekers lurking behind it. In enlightening the Everyman, economists spare society sometimes by making it hard for rent-seekers, but *also* sometimes by keeping the Everyman from stubbornness or foolish blunders of his own initiative. I elaborated on economists' good works by sketching a story that involved rent-seekers held in check by better understanding on the part of the Everyman (officials, citizens, etc.). I intended that elaboration to furnish one way of thinking about economists' contributions, not an exclusive characterization of those contributions. Furthermore, in my rent-seeking elaboration, the level of public (or Everyman) enlightenment plays an important role, and sometimes Frank seems to miss that. Sometimes he seems to write as though I suggest that economists fight rent-seekers by some means other than enlightening policymakers or citizens (what that other means would be, I don't know). So Bob Frank and I fully agree on the larger issue. Along the way, he mentions several policy issues, and I am uncomfortable with some of his positions (such as taxing fossil fuels and heightening progressivity based on the Ng [1984] argument, and I'd say depoliticize the radio decision by privatizing the station!), but that is not the main point. Frank's peroration says exactly what the final Smith quote in my paper says.

REPLY TO GOODHART

Professor Goodhart mixes mild agreement with mild disdain. He rises above writing for non-economists: "the basic *métier* of a serious economist lay in sorting out truth from falsehood, not in providing columns of instant advocacy in journalistic media." But even when "truths" are true, they aren't necessarily relevant or useful. Almost every theorem in the prestigious *Econometrica* is true but irrelevant to humanity. And writing for the Everyman ("instant advocacy") need not (and ought not) be irresponsible or sensationalist.

Goodhart does not quite seem to face up to the Everyman problem, in which the truths wanting are often the very basic and relevant ones that the sound economist sorted out long ago (and are academically *infra*-marginal). The Everyman problem calls for us to be yeomen: "we have to assert truths which to us seem obvious" (Mises, [1940,233]).

Estimating the extent of Everyman instruction, Goodhart notes: "I see no lack whatsoever of engagement in public policy debates of economists in Europe, and I rather doubt whether there is any such deficiency in the United States either." We might disagree over what "engagement" means and what would constitute a "deficiency." But I would estimate that fewer than five percent of economists at the "top 40" departments publish one general interest article (whether an op-ed, magazine article, or policy study) per year. That, to me, would be a lack of engagement.

To test my impression, I investigated the 1998 publications of the 112 authors who published in the 1998 *American Economic Review*. How many of them published in 1998 an article in a nonacademic periodical (such as a newspaper, magazine, monthly, or public-discourse oriented quarterly)? I searched three electronic databases and found that five of the authors (or 4.5 percent) had done so.²

Goodhart offers several examples of technical theoretical developments that have been fruitful. His examples all reside in Finance, but he could have pointed to canonical contributions in Political Economy (such as classic models of public goods, club goods, lemons markets, signaling, reputation, time inconsistency, path dependence, and preference falsification). But I did not argue against *all* model building. It is a question of proportions. Goodhart agrees that in macroeconomic work the proportions are faulty. I say the faultiness extends throughout the discipline.

REPLY TO GALBRAITH

As indicated by the title, my essay is addressed to economists who significantly tend to favor liberty. So far as I can tell, James Galbraith does not tend to favor liberty (in the conventional Locke-Hume-Smith-Founding Fathers sense of the term, centered on private property rights and the freedom of contract). It seems to me that Galbraith is a leftist, a statist, certainly not a libertarian.

Galbraith is an anthropologist who listens in on a libertarian conversation, and then discharges a series of *non sequiturs*. His comment takes us outside the original discourse situation.

The now-enlarged situation can be shown by the following classification:

	Libertarian Judgment	Flaccid Judgment	Leftist/Statist Judgment
Public discourse orientation	A	C	E
Scholastic orientation	B	D	F

The imagined dialogue of my essay (the Smithians versus the Stiglerians) is confined to the first column. I plead to economists in cell B to migrate to cell A. The essay does not speak to economists in the other two columns, and scarcely speaks of them.

Galbraith is in cell E. He and I share a public discourse orientation—we are in the same row. In as much as our judgments are at odds on a given issue, however, each of us may not want the other to participate in public discourse!

I do believe, however, that authentic public debate between the A economists and the E economists would be wonderful and productive. Maybe we can work together on making that happen?

Mill praised authentic debate:

Nor is it enough that [a student] should hear the arguments of adversaries from his own teachers, presented as they state them, and accompanied by what they offer as refutations. That is not the way to do justice to the arguments, or bring them into real contact with his own mind. He must be able to hear them from persons who actually believe them; who defend them in earnest, and do their very utmost for them. [1859, 511]

Galbraith supposes that libertarian economists find their intellectual “underpinnings” in such notions as perfect competition and rational expectations. That might be true of some bad libertarian economists, and probably does correlate with nincompoopism, maybe for the reasons Galbraith suggests. But the underpinnings of libertarian economics are better found in Alchian, Kirzner, Tullock, Buchanan, Coase, Hayek, and Smith. And, as Deirdre McCloskey has often noted, Milton Friedman generally did not practice what he preached in his lame 1953 essay.

So what are those underpinnings, the oft-spoken-of “basics” or Coase’s “simple truths”?

In brief, they are:

- Real conditions and opportunities are highly particularistic and in flux.
- Knowledge of the moment-by-moment opportunities—in so far as the opportunities are known at all—remains divided and disjoint among myriad participants in the economy; such knowledge cannot be meaningfully collected, summarized, modeled or mastered.
- It is desirable to have social rules that engender wide experimentation of activities, motivate the fresh discovery of opportunity, give good feedback about the social value of the activity, and induce supple and speedy adaptation of activities in accordance with their effect on society.
- The rules that best meet these goals are rules that *fuse together* profit/loss (broadly understood) for social outcomes from activities *and* authority over the activities (and over resources involved)—to wit, the rules of private property, freedom of consent and contract, and a thick-skinned tort doctrine. In other words, the free enterprise system.
- As owners of our resources, including our person, we profit when we benefit others, because then others are willing to reward us for benefitting them. We suffer losses when we fail to benefit others, because then we do not receive payment to reward our efforts. In the free enterprise system, only by having voluntary trading partners—hence, almost only by benefitting society—does one profit, and the profit motive has been fused, in ownership, with authority over the resources.

- The free enterprise system fails—to be perfect. But generally speaking it works far better than the alternative—government intervention and ownership. Regulators do not experience profit and loss (broadly understood) in accordance with how well their regulations serve society. Tax-financed government enterprises do not depend on voluntary trading partners for their support. In government activities, the profit/loss feedback mechanism works poorly, at best, and often perversely. In consequence, government activities do not adapt swiftly and appropriately to conditions and do not discover social opportunity. Government intervention lacks the tendencies toward self-improvement that work relatively well in the free enterprise system. Overlarge, over-reaching government is the ultimate public goods problem, the ultimate path-dependence problem, partly because, using coercion, it actively works to subvert nongovernmental efforts to mitigate and remedy the problem of statism.

Putting aside the woolly issue of coercive efforts at redistribution, I wonder just how much intervention Galbraith really would defend. Would he deny that Americans would be better off if we got rid of the FDA, OSHA, CPSC, occupational licensing, building codes, rent control, the minimum wage, union privileges against the freedom of contract, farm price controls and handouts, import restrictions, drug prohibition, the postal monopoly, the socialist school system, socialist highways, and socialist transit? On such issues, would he be prepared seriously to defend interventionist positions? If so, I stand ready to debate any of them.

Galbraith writes that “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. . . . So what is the problem over there on the libertarian side? . . . [T]he libertarians are strangely quiet these days.”

According to a quick interrogation of Lexis-Nexis (using Academic Universe, General News, under “Major Newspapers” and “Magazines and Journals,” for all available dates), the number of public-discourse publications in the range of Richard D. Freeman or Joseph E. Stiglitz is equaled or exceeded by numerous American libertarian economists, including (in alphabetical order) Terry L. Anderson, Robert J. Barro, James T. Bennett, Robert W. Crandall, Thomas J. DiLorenzo, Lowell Gallaway, John C. Goodman, Robert W. Hahn, Steve H. Hanke, Thomas W. Hazlett, David R. Henderson, Douglas A. Irwin, Dwight R. Lee, John R. Lott, Richard B. McKenzie, Robert J. Michaels, Jeffrey Miron, William A. Niskanen, Russell Roberts, Richard L. Stroup, Richard Vedder, and Benjamin Zycher. In the range of Paul Krugman’s numbers, we have Gary S. Becker, Milton Friedman, Murray Weidenbaum, and Walter E. Williams. Beyond that comes Paul Craig Roberts and, the champion on the libertarian side, Thomas Sowell. (I assembled these names in haste – my apologies to the libertarian economists who also could be named here.)

REPLY TO KIRZNER

Kirzner says that scientists should follow *wertfreiheit*: Don’t make value judgments. Don’t preach moral values. Stick to logic and the facts.

However, the values that help to frame the logics and facts of a conversation can themselves be opened up to inquiry, and be treated as the logics and facts (so called) of larger inquiry. The logic and facts of Conversation 1 are found to rest on the deeper, supposed logic and facts of Conversation 2, and so on. An idea is a value (or end) in one discussion and an arguable piece of logic or fact (or means) in another. There is a cascade of ends, means, ends, means, . . . We find that Conversation 1 and Conversation 2 are both parts of a single, greater conversation.

What are the values behind, say, support for a government school system? In arguing for government schooling, advocates may express their goal of creating a common school experience furnished by public, democratic institutions and making for a mutual, encompassing coordination of beliefs and sentiments. The focal points of such mutual coordination are official activities and texts, official ideas and stories. Well, if that is the goal—if that is the value (and very often that *is* the value), the libertarian economist cannot retort that government schooling is not the best means of achieving it. Libertarian reforms, such as vouchers, will *not* serve that value. Instead, the libertarian economist must attack the value. By opening up a larger conversation about democracy, collective sentiments, and government schooling, the libertarian economist digs up the beliefs or sentiments behind the value. The goal of encompassing collective experience is now treated as a *means*, and the libertarian economist suggests that it is a *bad* means to the array of broader and deeper social ends (whatever they may be: harmony, tolerance, joy, personal fulfillment, etc.). According to Kirzner, it would seem, libertarian scientists should patiently listen to schemes to advance fascist values. They may refrain from aiding such schemes, Kirzner seems to say, but ought not challenge the values presupposed. Here Kirzner agrees with Stigler: "Economists have no special professional knowledge of that which is virtuous or just" [1982, 3]. But neither does anyone else. I say libertarian scientists should aspire to explain the foolishness or selfishness of such values as fascism, collectivism, nationalism, and coercive egalitarianism.

Kirzner might go along with me here but insist that once we get finally to the "deepest values" of our listeners, we cannot and ought not challenge. Well, first, I never proposed the challenging of anyone's *deepest* values. Second, I'm not sure we ever get to deepest values; we always seem to be able to find concerns and goals that go still deeper, or wrap around [Hayek 1960, 209]. So, if Kirzner's objection to challenging values is confined to "deepest" values, it is not really an argument against my paper, and if it is not so confined, it is not a valid argument.

Kirzner suggests that my Plea jeopardizes sincerity and scrupulous honesty. Being outspoken and exercising policy judgment need not, however, draw one into insincerity or dishonesty. Outspoken libertarian economists such as Smith, Say, Bastiat, Cannan, Mises, Hayek, Hazlitt, Friedman, Buchanan, Tullock, Becker, and Sowell have displayed an admirable candor and intellectual integrity. Kirzner laments that Mises "was unsuccessful in concealing the underlying moral passion which drove him." Why lament the showing of passion?

LOW TECH, HIGH OOMPH

Lest my paper be accused of favoring only armchair theorizing and first principles, I elaborate here on how the basic argument applies as well to *empirical* evidence and argumentation.

What economists have to say is simple, says Coase, yet the simple truths are commonly ignored in public policy discussions. Most economists do little to correct the lapse. They devote themselves to technical work which "absorbs resources which might be devoted to . . . studies of the economic system of a nonquantitative character" [1975, 45]. Coase offers an example of low tech, high *oomph* theorizing. Consider an official at the U.S. Food and Drug Administration deciding whether to approve a new drug application. If he approves the drug and it turns out to be unsafe, he will be held up to public obloquy. If instead he declines approval, he will avoid the risk of any such negative personal consequence. The logic suggests that the FDA will be too slow in approving drugs.

On the topic of the FDA, a small number of economists (and others) have produced empirical *oomph*. This argumentation (summarized in Klein [2000]) serves as an example of empirical learning that the Everyman lacks and good economists could provide, but the structure of academic economics does little to encourage them to do so. None of the *oomph* depends on fancy research in "top" journals. Tragically, the *oomph* is scarcely imparted to the Everyman. In fact, even among academic economists in the United States, probably half are not much aware of the case against the FDA and harbor conventional fallacies about the matter. Academic economists are the Everyman first and good economists only maybe.³

It would be nice to have an economics profession in which *oomph* papers were published in top journals and valued as professional deeds. But my aim is not primarily to tell "top" editors that they should publish such papers. (I don't suppose them to be listening.) It is to invite the economists able to produce such papers to do so in spite of the fact that they will usually not be considered publishable in mainstream journals. If the good economists better assisted the Everyman and directed more research effort to *oomph* rather than to irrelevancies, society would be wiser, freer, and more joyful.

Young economists, attending to their own academic security and survival, need help from the more established, older economists. By working together the good economists rise above the meretricious academic concerns and invidious tendencies. They might alter the character of the economics profession as a whole, leading it to be more relevant and eventually wiser. In economics, relevance and good judgment form a virtuous circle.

NOTES

1. Bryan Caplan [2000] addresses the practitioner problem in a series of recent papers and introduces the term "rational irrationality," as a companion to "rational ignorance."
2. The three databases I searched (during August 2000) were Academic Search Elite (which indexes 2,880 journals, more than 1,000 of which are not peer reviewed), Lexis-Nexis Academic Universe

Major Newspapers (which indexes 58 leading newspapers), and Lexis-Nexis Academic Universe Magazines and Newspapers (which indexes hundreds of magazines and other nonacademic sources). I searched on the names exactly as they appeared in the *AER*, so naturally my results are not precise. The five economists are (in alphabetical order) Kaushik Basu, Peter A. Diamond, Douglas A. Irwin, Peter Kuhn, and Richard Schmalensee. If we include Federal Reserve quarterlies, the *Monthly Labor Review* (published by the U.S. Department of Labor), and the *NBER Reporter*, then the number goes up to 12, or ten percent. The additional seven are Julian R. Betts, Michael R. Darby, Marvin Goodfriend, Randall S. Kroszner, Richard Rogerson, Katherine Terrell, and Lynne G. Zucker.

3. Here, what I mean, really, by "good economist" is an economist with good policy judgment and sensibilities. That alone does not make one a good economist. There are many dimensions to being a good economist.

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