

A PLEA TO ECONOMISTS WHO FAVOR LIBERTY:

ASSIST THE EVERYMAN

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INTRODUCTION

Adam Smith wrote of political economy "as a branch of the science of the statesman or legislator" [1776, 397]. *The Wealth of Nations* has long been described as "a tract for the times, a specific attack on certain types of government activity" [Viner 1927, 218]. Smith underscored the moral purpose of his work: "the cheapness of consumption and the encouragement given to production . . . [are] precisely the two effects which it is *the great business of political of economy to promote*" [Smith, 1776, 706, italics added].

Smith noted that people often have a poor understanding of public affairs. Landowners are "too often defective" in having a "tolerable knowledge" of how their interest relates to society's [*ibid.*, 249]. The laborer, too, "is incapable either of comprehending [society's interest], or of understanding its connexion with his own" [*ibid.*, 249]. Regarding the buying and holding of wheat, "[t]he popular fear of engrossing and forestalling may be compared to the popular terrors and suspicions of witchcraft" [*ibid.*, 500]. Although Smith often attributed bad policy to shrewd political manipulations, he also saw bad policy flowing from ignorance and foolish prejudices. He hoped folly would be lessened by the efforts of political economists.

The Nobel laureate economist George Stigler says Smith got it wrong: "there is little reason to accept Smith's implicit assumption that the main source of error is ignorance or "prejudice" [1982, 143]. Stigler faults Adam Smith for preaching:

Smith gave a larger role to emotion, prejudice, and ignorance in political life than he ever allowed in ordinary economic affairs. . . . Smith's attitude toward political behavior was not dissimilar to that of a parent toward a child: the child was often mistaken and sometimes perverse, but normally it would improve in conduct if properly instructed Therefore reforms must be effected, if effected they can be, by moral suasion. [*ibid.*, 140, 142-43]

Stigler argues against "the economist as preacher." In the political process, people pursue their self-interest, and rarely can the economist make the citizen better informed of her own interests. People choose and search and think optimally: "we deal with people who maximize their utility, and it would be both inconsistent and idle for

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us to urge people not to do so" [*ibid.*, 6]. Stigler is, however, willing to pardon Adam Smith for doing so: "it would be anachronistic to lament Smith's failure to discuss the problem of the optimum investment of the individual in the acquisition of knowledge" [*ibid.*, 145]—that is, the problem discussed in Stigler [1961].

Adam Smith, by contrast, believed that public discourse could produce genuine learning and persuasion, and that economists should participate. Public discourse is not mere charade contrived to pass the time. Speakers claim to value the public interest and to some extent make sacrifices to live up to that claim. The public interest is complex and controversial, but through the instruction and moral force of conversation, people can be persuaded to think and act differently. Even if this is true only in rare instances, those are the instances that matter most.

Stigler would have us believe that the persuasive power of conversation is negligible. The incentives of citizens to obtain relevant knowledge is unaffected by anything the economist has to say. They know their interest and respond optimally to the cost of acquiring information: "Every failure of a person to make decisions which serve his self-interest may be interpreted as an error in logic" [Stigler 1982, 144]. Short of helping people with their logic, which they have strong incentives to get right, conversation is otiose. Because Stigler insists on reducing knowledge to information and logic, he insists on eradicating other facets of knowledge. So great was his insistence, he took to finding and correcting all of the errors and inconsistencies of the passages in *The Wealth of Nations* regarding the political process [*ibid.*, Ch. 12].

But perhaps Smith had it right after all. There is more to knowledge than information and logic: there is also interpretation and judgment. Stigler's famous papers [1961; 1962] cannot deal with interpretation and judgment. Stigler worked hard to eradicate from economics the subtler facets of knowledge. He wanted to believe that his papers on information had captured the essence of knowledge. Hence he developed a blindness to facets of knowledge that might make a rival claim to the essence of knowledge. Cases in point are Stigler's animosities, continued today by Stiglerian economists, against Austrian economics and Deirdre McCloskey.

Public discourse shapes and influences the political process. From the political process emerges policy decisions. Rent-seekers lobby for measures that injure the public interest. (Lobbyists on the good side of issues are not considered rent-seekers.) Rent-seekers decide how much resources to devote to rent-seeking. Economists can stymie rent-seeking by taking part in public discourse and the political process. Economists can use their powers of persuasion to reduce the expected benefits of rent-seeking.

Thus, policy is explained partly by the behavior of economists. But what explains the behavior of economists? Partly, the professional rewards and punishments for taking part in public discourse—or, the character of the economics profession. Good policy depends on economic enlightenment, which depends on the participation of economists, which depends on the incentives of economists, which depends on the practices and standards of the economics profession. Government policy would be better if the economists who favor liberty thought more seriously about how they contribute to society.

My implied reader is an economist who belongs to the more libertarian half of the economics profession. Readers who are not economists might find parallels to their own professional fields.

A MISPLACED FAITH IN AN INVISIBLE HAND

Stigler told us that "economists exert a minor and scarcely detectable influence on the societies in which they live" [1982, 63]. He suggests, for example, that economists' testimony in antitrust cases have had small influence. "Knowledgeable economists have proposed much more favorable verdicts on our influence," he says, "but they do not offer evidence of a specificity or power such as we normally require in professional work" [*ibid.*, 48].

Perhaps Stigler is correct about the small influence of economists. But whatever the magnitude, the pertinent question is: Do economists better aid society by participating in public discourse or by concentrating on scholastic work? Stigler favors scholastic work:

Please do not read into my low valuation of the importance of professional preaching a similarly low valuation of scientific work. Once a general relationship in economic phenomena is discovered and verified, it becomes a part of the working knowledge of everyone. A newly established scientific relationship shifts the arena of discourse and is fully adopted by all informed parties, whatever their policy stands. Whether a person likes the price system or dislikes it and prefers a form of non-price rationing of some good, he must accept the fact of a negatively sloping demand curve and take account of its workings. The most influential economist, even in the area of public policy, is the economist who makes the most important scientific contributions. [*ibid.*, 34; see also page 67; and Stigler 1988, 85, 179].

Yet in his favorable verdict on the influence of "important scientific contributions," Stigler does not offer evidence of a specificity or power such as we normally require in professional work. In fact, his pronouncements are practically vacuous. He supposes that professional economists, even when publishing in scholastic journals, establish definitive verification of economic truths. An "established scientific relationship . . . is fully adopted by all informed parties." Stigler provides no grounds for believing that "informed parties" are sufficiently great to effect the policy improvements for which "established scientific relationships" ostensibly pave the way. And what does Stigler have in mind when he speaks of "an established scientific relationship"? Is it an established scientific relationship that free, private enterprise is better at serving society than government enterprise, or that minimum wage laws hurt the poor, or that occupational licensing hurts the poor? If so, have these become "a part of the working knowledge of everyone"? In America, government remains as interventionist as ever.

Stigler refers to "newly established scientific relationships" as though working scientists generate such things at a steady pace. Yet the one example Stigler gives of an established scientific relationship is hundreds of years old: when the price of a good goes up, people buy less of it. Stigler refrains from naming an "established scientific relationship" produced by economists during his lifetime.

Stigler argues his point by referring to "the most influential economist." But ordinary researchers, even at the "top" departments, will never make major contributions like the law of demand. How are *we* to earn our self-respect? Stigler preached that our comparative advantage is in scholasticism, not public discourse: "it is the judgment of the science that is decisive in judging a scholar's achievements" [1982, 147]. He urged us to pursue research expressed to other academics in terms of the official paradigms. He affirmed a faith in *scholasticism* (and 1980s *JPE*-styled Chicagoism in particular).

Stigler and Sherwin Rosen [1997, 151] say doing well academically is doing good for society – an invisible-hand result. One wonders, does it apply to Sociology, Anthropology, and Women's Studies? After all, those academic "industries" have essentially the same institutional structure as Economics. Also, why do these free marketeers put such faith in an "industry" that is predominantly government employed?¹

HAYEK AND OTHERS DOUBT THAT DOING WELL IS DOING GOOD

Other economists view Economics differently, and have little faith in an invisible hand. Friedrich Hayek noted that "those who have to apply economic theory are laymen, not really trained as economists. [Economists] can at most be called in as advisors while the actual decisions must be left to the statesman and the general public" [1944, 37]. Whereas Stigler puts his faith in the profession—where economists talk to economists—the Smithian attitude recognizes that *the true practitioner of political economy is every public official and ordinary voter*. To contribute to human betterment, economists need to reach the Everyman.

As Ronald Coase notes: "what [economists] have to say which is important and true is quite simple What is discouraging is that it is these simple truths which are so commonly ignored in the discussion of economic policy" [1975, 49]. Cutting-edge academic research is not of value even to one who sits at the right hand of presidents. Martin Anderson claims that not once in his four-year experience as a Reagan administration economist, "in countless meetings on national economic policy, did anyone ever refer to any article from an academic journal. Not once did anyone use a mathematical formula more complicated than adding, subtracting, multiplying, or dividing" [Anderson 1992, 95]. Lawrence Summers [1991, 146], Herbert Stein quoted in Hamilton [1992, 62], Ronald Coase [1975, 59-60] and other prominent economists have stressed that the theory and evidence with real *oomph* are very low tech. Millions of Americans have been persuaded by economic arguments that drug policy should move toward legalization and schooling should be choice-driven. None of those arguments relies much on fancy models or statistical significance.

Coase quotes Frank Knight, who said the following in a presidential address to the American Economic Association in 1950:

I have been increasingly moved to wonder whether my job is a job or a racket, whether economists, and particularly economic theorists, may not be in a position that Cicero, concerning Cato, ascribed to the augurs of Rome—that they should cover their faces or burst into laughter when they met on the street . . . [Knight 1951, 2, quoted in Coase 1975, 54].

Knight also says that it is basics that are needed in public discourse, not scholastic crafts: "The serious fact is that the bulk of the really important things that economics has to teach are things that people would see for themselves if they were willing to see." The important role for economists is to make people *willing to see* certain basics.

Stigler eradicates the subtleties of the will, of thought, and of discourse: "In neo-classical economics, the producer is always at a production frontier" [1967, 215]. And that goes also for the producer of beliefs, arguments, and policy decisions. The frontier is made up of information and logic, neither of which depend on the economist. Compare Stigler's fatalistic view with that of Thomas Schelling, in an address to young economists:

There are not just free lunches but banquets awaiting the former socialist countries that can institute enforceable contract, copyrights, and patents, or eliminate rent-free housing and energy subsidies . . . [I]t is economists who help to find where we are deep inside [the] frontier, diagnose what keeps us from the frontier, and propose institutional changes to bring us closer to the frontier. To those of you who become professional economists I urge you: get out there and help find those free lunches. [1995, 22]

STIGLER'S COMPLACENT SCHOLASTICISM RESTS ON AN IMPOVERISHED UNDERSTANDING OF KNOWLEDGE

Stigler's view that we economists should always draw the individual's frontiers so that he is at the frontier (never deep inside it) is an extension of his framework for decision making in general: the exclusion of the very notion of error [Stigler, 1976]. In particular, Stigler would reject Israel Kirzner's theory of error, which is the theoretical inverse of Kirzner's theory of entrepreneurship. Kirzner teaches that breakthroughs in knowledge sometimes come from interpretive *insight*, not mere information. Some interpretive insights are adequately described neither as the result of deliberate search nor the result of sheer chance. Kirzner wants us to recognize a third, entrepreneurial, kind of discovery, from a human source that is "undeliberate but motivated" [1985, 14]. To admit of entrepreneurial discovery in their thinking, economists must recognize that knowledge is not merely information, but also interpretation. Stigler and his followers have often disparaged Kirzner's work, because they cannot admit to the interpretive element of knowledge [Klein, 1999a].

If exceptional interpretive insight may be called entrepreneurial discovery, the neglect of interpretive insights that are obvious may be called error. Kirzner reviewed Stigler's book, *The Economist as Preacher and Other Essays*, and emphasized

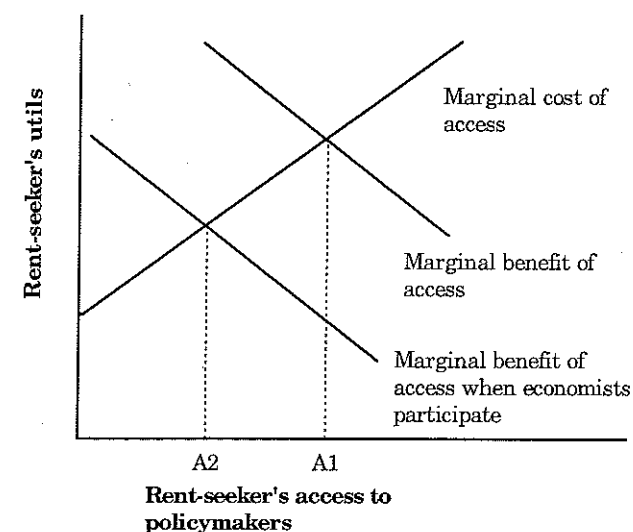
that Stigler's denial of error is the root of his vision for economists: "It is Stigler's perverse consistency in this regard that has led him to his odd conclusions regarding the possibility of valuable economic policy advice" [1983, 40]. Kirzner's pupil Sanford Ikeda [1997a; 1997b] has usefully distinguished two interpretations of bad policy: the *deception thesis*, in which posturing politicians and rent-seekers laugh all the way to the bank, and the *error thesis*, in which decent and good-willed human beings blunder inexpertly through the complex realms of political economy and trap themselves in a cul-de-sac. Stigler says, essentially, that all bad policy arises through deception or knavery, and education through public discourse is not worth the effort. Ikeda maintains, like Smith, Hayek, and Coase, that much bad policy comes from intellectual error, not knavery. Kirzner agrees and says that Stigler's position is a lamentable error: "It will be unfortunate indeed if [Stigler's] fascinating volume succeeds in popularizing the altogether unfounded notion that greater and more widespread economic understanding can make no contribution to the betterment of the human condition" [1983, 40].²

That knowledge is not merely information was known to Adam Smith. Smith said that the ordinary laborer lacked not just information but understanding in judging how his interest relates to the interest of society: "his education and habits are commonly such as to render him unfit to *judge* even though he was *fully informed*" [Smith, 1776, 249, italics added]. Stigler's attempts to flatten knowledge down to information led him not only to a blindness to interpretation; it led also to a blindness to *judgment*. When interpretations are multiple the individual has to decide which interpretation to take stock in. Judgment is the belief facet of knowledge, and it is revealed by action. In belief, as Michael Polanyi [1962] explained, there is an element of commitment. One's beliefs partly determine what one does. Judgment is the moral dimension of knowledge, affecting what it is that one will stand for. It is stressed in the work of Deirdre McCloskey [1994, 375].

Economists tend to think of interests as given and fixed. But economists can provide guidance about *what their listeners' interests should be*. Man has hierarchical values and hierarchical decision-making powers. We cannot deny that, while each level may be seen to be optimizing, the next level knows that there may exist yet-undiscovered superior alternative interpretations of the information possessed, so judgment remains perennially open to revision. Hence the individual always has the potential to transcend whatever framework (including preferences) he consciously recognizes or explicitly models for himself [Hayek, 1952, 193-94]. Humans are in a constant process of discovering and remaking their deeper preferences. Therefore it makes sense to speak of some deeper level of self that chooses, or at least influences, our interests. This influence from deeper levels depends on how the deeper levels are prompted and on how one is equipped to respond to signals from deeper levels. For judgment on economic matters, economists can be the source of deeper insights and can prompt deeper values, having an influence like that which a parent has on a child.

Students of rhetoric from Smith [1762-63] to McCloskey [1985, 121] stress that persuasive authority flows from the character or *ethos* of the speaker. Smith says that Jonathan Swift compellingly assumes the character of a plain man, and that in doing so, he persuades by simply stating, "I have always been of opinion that" [1762-

FIGURE 1
Unless Economists Participate, Rent-Seekers Will Invest in
Access A_1 to Influence Policymakers



63, 38]. When an economist argues against licensing restrictions, the argument persuades because of its logical cogency and factual support, but also because it comes from a sincere, scrupulous and capable economist. Even absent fact or logic, the economist's opinion carries weight. If a listener receives an economist supposedly in good faith and then utterly disregards the economist's opinion, he behaves like a cad. To believe that *ethos* cuts no ice with listeners is to believe that every listener is a cad. Those who do not believe that every listener is a cad will agree that the economist's opinion can influence the listener's decision of what to believe.

McCloskey has suggested that the economics profession as a whole is like the drunk who looks for his lost keys under the lamppost because the light is better there. I wish to revise the parable. The public official and ordinary voter—the Everyman—is searching for the lost keys, and the economist *knows very well where they are*. The location of the "keys" is one matter of concurrence between Smith and Stigler (and the rather libertarian implied reader of this essay).

In the body politic, the economist ought to be a moral agent who identifies policy error, reproaches those who commit such errors, and educates for the avoidance and correction of error. Yet many economists do no such things. Instead they take up Stigler's attitude, and confine themselves to the small area of rarefied light under his profession's lamppost.³ The Everyman often fails to find the keys simply because the economist disdains to show him where they are.

Were the economist to take a greater role in public discourse, rent-seeking would be better foiled. By providing facts, logics, interpretations, and moral authority, the economist can influence voters and policymakers. The economist can even influence rent-seekers, who also feel some responsibility to side with the public interest, as they understand it.

Figure 1 shows a calculus of rent-seeking. The horizontal axis measures access to policymakers. The marginal cost of access is increasing. Access to policymakers brings the chance of favorable (but anti-social) policy. The rent-seeker's optimal level of access is A_1 , where marginal benefit equals marginal cost. But economists might feel an incentive or responsibility to step forward. They address policymakers or the public and persuade them not to be too accommodating. Coase speaks of this role of economists:

At any rate, it may be that there is room for economists' views on public policy to play a valuable part in the process of modification and change, even though they will usually not be able to exercise a decisive influence over the choice of the policy itself. Certainly, however ill-advised policies may be, they are not in their administration devoid of sense. The demand for nonsense seems to be subject to the universal law of demand: we demand less of it when the price is higher. [1975, 55]

By virtue of basic economic reasoning applied adeptly to the issue—not fancy models or statistical significance—economists shift marginal benefit to the lower line in Figure 1. Now the rent-seeker opts for A_2 access. Another path of influence might be for the economists to persuade policymakers to raise the cost of access. Or they might address the rent-seekers themselves, and shame them into good sportsmanship and free competition.

As Smith said, "When [a man of public spirit] cannot establish the right, he will not disdain to ameliorate the wrong" [1790, 233]. Coase puts it this way: "An economist who, by his effort, is able to postpone by a week a government program which wastes \$100 million a year (what I would consider a modest success) has, by his action, earned his salary for the whole of his life." If economists can scuttle such programs altogether, "we will confer a great benefit on mankind—and be grossly underpaid" [1975, 57-58].

TULLOCK ON DOING GOOD

Gordon Tullock once gave an address entitled "How to Do Well While Doing Good!" to a group of young economists at Virginia Polytechnic Institute. (The lecture remained unpublished for more than a decade.) Tullock also projects a Smithian voice, a voice strikingly different from George Stigler's. He begins by noting instances in which economists have made a difference, such as the reduction of tariffs and the abolition of the Civil Aeronautics Board. He proposes that young economists "select some blatantly undesirable activity, preferably of a state or local government, and become a modest expert on it."

After becoming an expert, the economist should attempt to get media publicity The League of Women Voters, for example, tends to go about looking for good causes and you may be able to improve their taste. There are also various business groups, Rotary Clubs, and so

on that are always on the lookout for a lecturer and that would give you an opportunity to provide some influence . . . Most economists only occasionally give lectures to something like the Rotary Club. I am suggesting that this aspect of professional life be sharply increased. . . . Even if there were no beneficial impact on your career, nevertheless, I would urge it on you . . . It is likely that you will do more good for the world by concentrating on abolishing some [undesirable government] organization in your locality than the average person does — indeed, very much more. [Tullock, 1984, 239]

Tullock creates incentives for economists to engage in such activities: to do so will permit the economist to know that he would have Tullock's esteem.

But Tullock's main appeal is to career interest. "The average economist can benefit his career while simultaneously making a contribution to the public welfare" (*ibid.*, 229). Tullock says that basic public policy research "does have some potential for publication in the regular economic literature. *The Journal of Law and Economics*, *The Journal of Political Economy*, *Public Policy*, and others all are interested in such articles." At a lower notch, but still professionally valuable, are publications with public policy think-tanks—"I, as a matter of fact, have three such things on my own vitae." Tullock even encourages "articles in local newspapers, letters to the editor," and offers the following optimistic remark: "I would imagine that in cost/benefit terms these things are considerably more highly paying than *JPE* articles because although the payoff is not as high, the cost of producing them is also low" [*ibid.*, 237].

Tullock wants economists to take part in public discourse, to stymie rent-seeking by shifting the curves in Figure 1. He argues that such activities are both virtuous and profitable. In a career-interest calculus of the economist's participation in public discourse, Tullock argues that the optimal level is positive.

His statements were made in the early 1970s. Maybe things were different then, or maybe Tullock was disguising the facts to service the greater good. In the economics profession today, excellent basic public policy work cannot get published in leading journals, or even secondary journals. And the academic-career payoff to think-tank work and general interest articles is, on average, probably not above zero. Such work can count negatively. It reveals that one is "unfocused," "not a scientist," "not a serious economist," or, as establishment Democrats such as Solow [1999] and Krugman [2000] are quick to say, an "ideologue." Tullock's expression of personal esteem is noble, but the career advice is dubious. When a young libertarian economist with publications in policy work or nonacademic periodicals asks my advice, I tell him to remove such items from his academic vitae. Especially at the more prestigious departments, the optimal participation in public discourse (from a narrow career-interest perspective) is close to zero.

Tullock says that you do well by doing good. Stigler says that you do good by doing well. I disagree with both. Figure 2 distinguishes the three positions on whether orienting oneself toward public discourse coincides with doing well and doing good.

FIGURE 2
Three Positions on Whether Public Discourse Coincides with
Doing Well and Doing Good

Is It Worthwhile for the Libertarian Economist to Orient Himself
 toward Public Discourse?

	From an Academic-Career Point of View? (Doing Well)	From a General-Interest (Smithian) Point of View? (Doing Good)
Yes	Tullock	Tullock Klein
No	Stigler Klein	Stigler

DO ECONOMISTS BELIEVE IN WHAT THEY ARE DOING?

Most economists know not to take part in public discourse, and don't. The sad state of higher education in America has been the subject of many recent books. Many commentators conclude that the social sciences are solipsistic, overly specialized and formalistic, and operating with little consequence to the real world (for example, books by Martin Anderson, W.W. Bartley, David Damrosch, George C. Douglas, Julius Getman, Russell Jacoby, Lionel S. Lewis, Camille Paglia, Edward Shils, Page Smith, John W. Sommer, Charles J. Sykes, and Bruce Wilshire).

This criticism has been leveled against the economics profession in particular [Cassidy 1996, *The Economist*, 1997]. Dissatisfied students in France have launched a movement for "post-autistic economics," which has galvanized students well beyond France. (See the websites at www.paecon.net.) The profession has indeed suffered this criticism from many of its own, and from diverse ideological quarters. Living economists who have published unmistakably critical comments about the profession being overly specialized, formalistic, or irrelevant include: Maurice Allais, Martin Anderson, Peter Bauer, Mark Blaug, Ben Bolch, Peter Boettke, Reuven Brenner, James Buchanan, Ronald Coase, David Colander, Peter Earl, Reiner Eichenberger, Marianne Ferber, James Fox, James K. Galbraith, John Kenneth Galbraith, Bruno Frey, Rene Frey, Herbert Grubel, Beat Gygi, Arnold Harberger, Robert Heilbroner, Robert Higgs, Israel Kirzner, Arjo Klammer, Anne Krueger, Deepak Lal, Tony Lawson, Edward Leamer, Robert Lekachman, Wassily Leontief, Axel Leijonhufvud, Brian Loasby, Frank Machovec, Thomas Mayer, Deirdre McCloskey, William Milberg, Alex Millmow, Philip Mirowski, Mischio Morishima, Julie Nelson, Gerald O'Driscoll, Steven Payson, Werner Pommerehne, Mario Rizzo, Dianne Strassman, Lawrence Summers, Lester Thurow, Gordon Tullock, Karen Vorst, Henry Woo, and Leland Yeager.

The perennial nature, at least since the rise of the modern university, of the irrelevance problem in economics is evidenced by early criticism of the profession by Edwin Cannan [1933], W.H. Hutt [1936, see esp. 34-37, 207-17], Barbara Wootton [1938], Frank Graham [1942, xv-xx], Hayek [1944], and Knight [1951]. Many of these authors stress that the practitioner of political economy is the Everyman.

Making economics more relevant would inevitably mean increasing the extent to which the economist expresses judgments on public issues. In contrast, Stigler preached against policy pronouncements. "Most of us are more impatient to do good, and probably we are not sanguine about our ability to engage usefully in full time scientific work" [1982, 66-67]. Political tracts like *The Road to Serfdom* and *Capitalism and Freedom* were written, then, because their authors doubted their ability to do economics. My suspicion, rather, is that Stigler denigrated the role of the economist-cum-public intellectual in part because he doubted his own ability to appeal to the Everyman and to exercise judgment responsibly.

Besides the several dozen vocal insiders, serious doubts quietly exist among insiders aplenty. Many economists harbor reservations about the emphasis placed on equilibrium model building and statistical significance. The leery economist does not express her doubts publicly, because doing so might give her colleagues the idea that she does not like and admire what they—and even she herself—are doing. But economists don't really support the profession's norms as much as it may appear. Many economists feel locked into an undesirable coordination equilibrium in which they publicly falsify what they really think.

Arjo Klammer and David Colander conducted extensive interviews with graduate students at six top economics departments. They report:

[T]he interviews suggested a definite tension, frustration, and cynicism that, in our view, went beyond the normal graduate school blues. There was a strong sense that economics was a game and that hard work in devising relevant models that demonstrated a deep understanding of institutions would have a lower payoff than devising models that were analytically neat; the facade, not the depth of knowledge, was important. This cynicism is not limited to the graduate school experience, but is applied also to the state of the art as they perceive it. [1990, 18]

A fourth-year graduate student remarks:

We go to the money workshop. . . . All of us go, week after week, and come back and just laugh at their big reputations. What they do is usually very complicated and very implausible. [*ibid.*, 1990, 18]

Deirdre McCloskey argues that model building (what she here refers to as A-Priming) has become deranged, and adds:

Everyone knows this, though they are less willing to say it about their own sub-field of economics than someone else's. Macroeconomists disdain the pointless A-Priming of the field of industrial organization. Game theorists in industrial organization disdain the pointless iteration of 2-by-2-by-2 models in trade theory. Trade theorists scorn the five-year cycle of theoretical fashion in macroeconomics. The situ-

ation has reached the same result as statistical significance: nobody believes the so-called "science" of the other scientists. [1996, 94]

Similarly, Thomas Mayer writes:

Most of the abstract theorists seem happy with the way economics is going. But many, perhaps the majority of economists, are not. Some continue playing the game because they believe that it is the only game in town, that there is no other way of doing research. Others play it cynically because following certain procedures, such as "sticking in the maths," is necessary to publish in good journals, and thus to earn tenure. Probably quite a number of the already tenured have responded by, more or less, giving up on research. Certainly not to all, perhaps not even to most, but to many economists, the rules and conventions that currently determine what is considered good research have become a hollow ideology. [1993, 3-4]

Lawrence Summers has written a hard-hitting indictment of econometric work, and also suggests that the practices that prevail are hollow:

All too often researchers, referees and editors fail to ask these scientific questions. Instead, they ask the same questions that jugglers' audiences ask—Have virtuosity and skill been demonstrated? Was something difficult done? Often these questions can be answered favorably even where no substantive contribution is being made. [1991, 146]

On the airplane returning home from the annual meeting of the American Economics Association, I asked the adjacent passenger, an economist also returning home, to explain the paper he had presented at the meeting. He proceeded to lay out a simple and ingenious numerical example. Within five minutes I understood the idea and admired him for it. I asked him what the rest of the paper was about. He answered that it was devoted to developing a formal model based on the core idea. I asked him if he thought the formal model really added anything beyond what was achieved by the numerical example. He candidly said no, with a friendly smile that said, "We both know how this profession works."

PUBLIC DISCOURSE VERSUS SCHOLASTICISM

In his book, *Truth Versus Precision in Economics*, Thomas Mayer argues that "there is a trade-off between rigour and relevance" [1993, 7]. Mayer says that a theory of certain features of the American economy, or a theory of how public policy that affects certain economic activities should be reformed, consists of numerous links. Each link is an argument or piece of evidence. The worthiness (or truth) of the theory is the strength of the entire chain of arguments. In Mayer's view economists have not

paid mind to the entire chain. The profession has instead reveled in "the principle of the strongest link" [Mayer, 1993, 57; see also Boettke, 1997]. Economists have refined, strengthened, and polished the strongest link in the chain, "[pretending] that their whole argument is rigorous because this one link is" [Mayer, 1993, 7]. The attention devoted to the strongest links has left weaker links, and the chain as a whole, in severe distress. In exalting precision and rigor in selected parts, economists forsake truth and relevance in the whole. Model building often can "deal only with part of the problem" [*ibid.*].

Mayer's "principle of the strongest link" conforms nicely to McCloskey's lamppost metaphor: "the extreme explicitness of modernist reasoning under the lamppost is accompanied by extreme vagueness outside its range" [1990, 73]. To repeat, McCloskey's lamppost parable should be revised: the Everyman seeks the lost keys and the nincompoop libertarian economist refrains from showing him where they are. Using either the revised McCloskey parable or Mayer's metaphor, we may characterize a "public discourse" orientation for the economics profession.

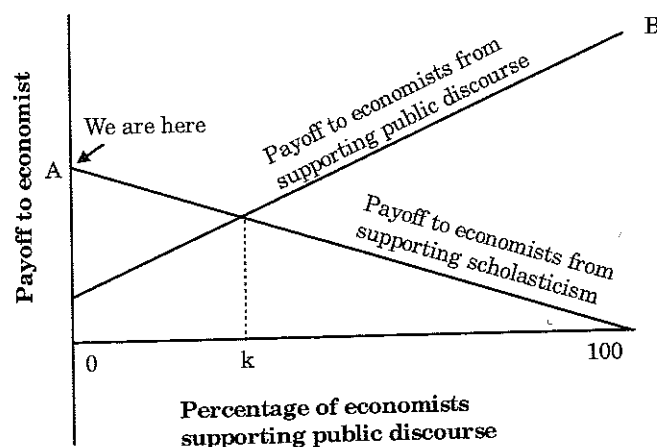
A public discourse orientation asks that: (a) when appropriate in their academic work, economists get beyond the light of the lamppost, using flashlights, cigarette lighters, or mirrors placed under the lamppost to reflect its light, to come up with the lost keys, and (b) economists take the trouble to show the Everyman where the lost keys are. To put it in terms of Mayer's metaphor: A public-discourse orientation calls for economists to: (a) mind the strength of the entire chain of argument in their academic work, and (b) help the Everyman understand their chains of argument.

Points (a) and (b) go naturally together. If economists mind their entire chains of argument, they will naturally be drawn into the specifics of government policy, bringing them close to the Everyman; furthermore, many of the links in the chain will not be susceptible to formalizations; to work on those links economists will have to proceed in a mode fitting their own experience and intelligence as an Everyman. If economists are addressing the Everyman, they will have to offer entire chains of argument. They will be scorned if they offer only a few disconnected links, even if those links are very strong.

The rival orientation is scholasticism (not to be confused with scholarship or scholarliness). In the scholastic orientation, economists are scientists and they may neglect the Everyman, focusing instead on what the profession officially deems worthy. Again, Stigler [1982, 34, 66-67; 1988, 85, 179] and Rosen [1997, 151] espouse such an orientation. In practice, this orientation tends towards the principle of the strongest link. In a scholastic profession, it will never be academically (or, in Stigler's language, "scientifically") rewarding to do excellent public policy work that is useful to the Everyman. As has been noted, weak links in the Everyman's chain of reasoning call for, not scholastic crafts, but a sensible and informed use of basic economic insights and low-tech forms of evidence.

My interpretation echoes Smith's interpretation of the universities and churches of his own time. Smith said that institutions subsisting on endowments or state support tend to lose enthusiasm for the basic instructional needs of the people [1776, 740]. University faculty become a self-evaluating body and indulge each other's neglect of basic teaching [*ibid.*, 718]. Instead they occupy themselves with elegant yet

FIGURE 3
At Point A No One Supports Public Discourse and Everyone Is Worse Off



arid learning [*ibid.*, 727, 741]. Furthermore, their avoidance of “the current opinions of the world” shields their own beliefs from challenge. Many universities “[have remained], for a long time, the sanctuaries in which exploded systems and obsolete prejudices found shelter and protection, after they had been hunted out of every other corner of the world” [*ibid.*, 727]. Smith’s discussion of universities suggests that in scholastic communities irrelevance and bad judgment go together.

A MODEL OF PREFERENCE FALSIFICATION WITHIN THE ECONOMICS PROFESSION

The problem within economics is similar to the spread and persistence of Affirmative Action and Socialism. Timur Kuran has developed a theory of “preference falsification.” Individuals have private preferences about a public matter, such as whether the economics profession should be more public-discourse oriented. But the individual may choose to display publicly a preference contrary to his private preference: “The reason our individual might opt for preference falsification is that his public preferences influence how he is valued and treated. To maintain acceptance and respect, he must provide evidence that he accepts society’s basic institutions and shares its fundamental objectives and perceptions” [1995, 26].

Academics know about falsifying one’s preferences:

Some public preferences elicit disapproving gestures, such as raised eyebrows and derisive stares. . . . A person considered on the wrong side of an issue may be denied a job . . . On the positive side, a person may receive various benefits for an expressed preference. The possible rewards include smiles, cheers, compliments, popularity, honors, privileges, gifts, promotions, and protection. [*ibid.*, 29]

The problem may be represented in a model introduced by Thomas Schelling [1973]. Figure 3 treats as a population the more libertarian half of professional economists. Each of those choose to publicly display professional support for either a public-discourse orientation or a scholastic orientation. The economists within that population (itself a subset of the profession) are assumed to have the same payoff functions and to prefer a public-discourse orientation for the population as a whole. The vertical axis measures individual payoff and the horizontal axis measures the percentage of the group supporting public discourse. When no other economists support public discourse, the individual’s payoff from supporting public discourse is less than his payoff from supporting scholasticism. Point A is a stable equilibrium in which everyone falsifies his preference. This is a tragedy, morally and socially. The other stable equilibrium is point B, where everyone expresses his private preference for public discourse. Everyone is better off.

The more libertarian half of academic economics in America is stuck at point A. However, if enough economists, corresponding to threshold k , were to coordinate a change in orientation, things might change. Schelling suggests how the k group might succeed:

More selective groupings . . . can organize incentive systems or regulations to try to help people do what individually they wouldn’t but collectively they may wish to do. Our morals can substitute for markets and regulations, in getting us sometimes to do from conscience the things that in the long run we might elect to do only if assured of reciprocation. [1978, 128]

If a k group were to organize, then others may follow rapidly. Indeed, Kuran explains many momentous changes as the rapid unraveling of preference falsification. As Mayer puts it: “Recent events suggest that a hollow ideology is not likely to endure” [1993, 4].

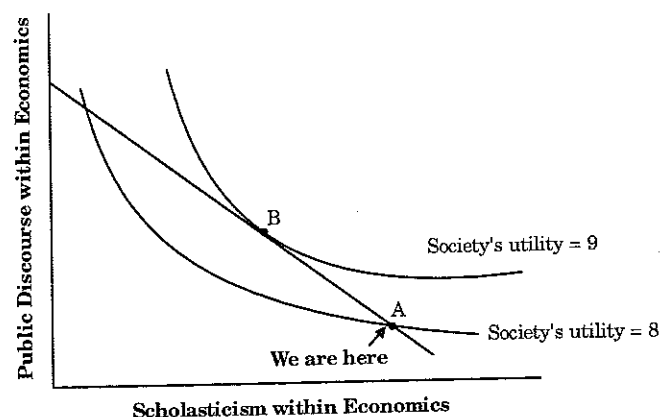
CONCLUDING REMARKS

The plea for a public-discourse orientation is a plea for reform at the margin (in this respect Figure 3 might be misleading). A scholarly community depends on standards for good research, and those needs are relatively well met by equilibrium model building and statistical significance. Not only are modeling and statistics great blessings, but a degree of scholasticism is inevitable and indeed desirable. But there is *too much*. I ask economists to relax certain scholastic norms, to foster research and teaching that is less paradigmatic and more policy relevant. In Figure 4, such a shift is represented by a move from point A to point B.

In good policy-relevant work, the chains of argument are usually made up of links even the strongest of which are not very fancy. Economists might shift their standards to the evaluation of entire chains of policy argument, not just the strongest links. Policy-relevant work is bound to involve greater exercise of judgment, and ideology will be more pronounced. Smith and the classical economists expressed a

FIGURE 4

Economists Could Increase Society's Utility by Finding a Different Balance between Public Discourse and Scholasticism



"forthright concern with fostering the sociopolitical forces that spark and sustain [the process of competition]" [Machovec, 1995, 9].

A return to judgment would be desirable. Economists tend to see consensus as the hallmark of science, but in a science like political economy, where the true practitioner is the Everyman, perhaps equal standing should be given to *dialogue*. Judgment, like scotch, is heady stuff. But one may learn to imbibe more responsibly and to tolerate better the passions of other imbibers. I ask economists to make their seminar rooms and professional journals more open to policy debate and outspokenness.

The passages lately quoted from Kuran say that individuals face external incentives in choosing their social conduct. But Kuran writes also of the internal value that people feel in doing what they think is right. Adam Smith also wrote of this, and his words help to explain why the economics profession produces as much good research, and exercises as much good influence on public affairs, as it in fact does today:

Nature, accordingly, has endowed [man], not only with a desire of being approved of, but with a desire of being what ought to be approved of . . . [T]hough a wise man feels little pleasure from praise where he knows there is no praise-worthiness, he often feels the highest in doing what he knows to be praise-worthy, though he knows equally well that no praise is ever to be bestowed upon it. [1790, 117]

NOTES

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1. See Roey et al. [1999, 8] on public versus private college and university faculty employment.
2. In his earlier years, Stigler seems to have been more willing to hold a theoretical place for the idea of error [1958, 74].
3. In my reading of Stigler, he underwent an attitudinal change during the late 1970s and 1980s, becoming more parochial in thought, imperious in paradigm, and fatalistic in politics. It is with significant misgivings that I decry a man who was president of the Mont Pelerin Society (1976-78) and who, as Machovec [1995, 209] puts it, "truly deserves to be known as John the Baptist of the new learning" in industrial organization.

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