1 Introduction: What Do Economists Contribute?

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The essays gathered here speak of the choices economists make. Which subjects to write on, which premises to follow, which authorities to appeal to, which methods to use, which tones to assume, which audiences to address, which challenges to respond to, which social purposes to serve: all these choices are made each time an economist acts as an economist. Are economists today, in making their individual choices, led to promote ends of human betterment? Most of the present authors suspect that much choosing by economists is not for the better.

Economists are quick to find flaws in markets, governments, and other institutions. Yet they rarely aim their flaw-finding at their own professional institutions (not publicly, anyway). In such matters, their public attitude is rather like their attitude toward their children: acceptance without critical examination. Some economists harbor doubts about normal professional practice and standards, doubts confined to private thought and discreet conversations. A few, such as Arjo Klamer, David Colander, Thomas Mayer, Deirdre McCloskey, and Lawrence Summers express their doubts publicly.

The impetus for the present volume stems from the belief that academic institutions are failing and that they take a dim view of certain research activities which do advance the sound practice of political economy. If so, economists might find that pressures to pursue academic work divert them from contributing to the art and science of political economy. They are torn between doing well and doing good. The present volume has been assembled in the hope that it will find its way into the private chamber of the academic economist. It is meant to suggest that the economist really does face a tension between doing well and doing good. The existence of such a tension is addressed especially by the selections from Frank Graham, Ronald Coase, William Hutt, and Clarence Philbrook. The dates of those articles, as well as the allusions they make to Frank Knight, Edwin Cannan, and others, indicate that economists have for generations protested certain barren tendencies of doing well academically. It is also hinted at in Gordon Tullock's more upbeat article (written during the early 1970s). The selections from Deirdre McCloskey, Thomas Schelling, Israel Kirzner, and Friedrich Hayek also deal with the parts economists play in the cause of human betterment.

Each chapter has its own important points, and sometimes they have points in conflict. But in the main they converge. Taken together these essays offer a statement about economics as a profession, and a vision of the economist's responsibility. Here I raise a series of key ideas from the various contributions.

THE PRACTITIONER OF POLITICAL ECONOMY IS THE EVERYMAN

Hutt and Hayek point out a major difference between political economy and such disciplines as physics, chemistry, engineering and medicine. For these latter disciplines, experts are appointed to make important decisions. Practitioners in those fields are therefore confident that basic learning will be used to improve the conditions for human beings. In political economy, however, the practitioner is not the expert economist, but every public official and ordinary voter: the Everyman. The practitioner of political economy is typically highly ignorant of basic economic ideas. 'The result,' says Hayek (pp. 137,133), 'is that in economics you can never establish a truth once and for all but have always to convince every generation anew'. Economists as a group do not succeed in continued inculcation of basic ideas (ideas that professional economists might see as 'inframarginal'). Consequently, in this field, 'almost more than any other, human folly displays itself'. That the practitioner of political economy is the Everyman places the professional economist in a dilemma: Should he strive to enlighten the practitioner of political economy by teaching the basics, in the manner, say, of Frederic Bastiat or Henry Hazlitt? If so, will it pay off in professional esteem and security? If the academic profession rewards, rather, paradigmatic study addressed merely to other academics, how does the economist who responds accordingly justify his salary? Can he find a responsible belief that doing well professionally is also doing good for society?

ELEMENTAL IDEAS FORSAKEN

Many of the authors in this book suggest that because the practitioner is the Everyman, elemental economic ideas and simple policy solutions are forsaken in public affairs. Coase (pp. 39, 35) says, 'the advice we do have to offer which would be valuable, if followed, consists of a few simple truths . . . What is discouraging is that it is these simple truths which are so commonly ignored.' Graham (p. xvi) similarly says that economic policy has fallen far short of attainment of 'clearly desirable, and patently realizable, ends'. Hayek (p. 136) notes that 'knowledge once gained and spread is often, not disproved, but simply lost or forgotten'. Indeed, Coase quotes similar remarks from Frank Knight, Edwin Cannan, and Adam Smith. The essays indicate that there is a tradition within economics of coping with the practitioner dilemma and striving to keep elemental ideas alive in public discourse, generation after generation.

If the authors feel that elemental ideas and simple solutions are being forsaken, they must have in mind specific ideas and solutions. Most of the authors feel that government policy should move significantly in the direction of private property and freedom of contract. We can be sure that all of the authors, save Schelling and perhaps Graham, would agree that in America today government spending should be reduced, perhaps gradually, by at least 50 percent and regulation by at least 75 percent. But the most basic message of the volume does not depend on libertarian policy views. It depends only on the belief that elemental ideas, whatever one believes them to be, would better reach the Everyman if economists focused more on public policy and took greater part in public discourse.

Although the authors mainly concur on policy reform, it is doubtful that they would agree fully on the 'simple truths' of the discipline. Perhaps all would cite economic principles as taught in introductory courses: mutual gains, the division of labor, opportunity cost, marginal utility, incentives, competition, comparative advantage, transaction costs, and so on. Surely all would favor stories of human wants creating, within a property rights system, opportunities for people to gain by satisfying those wants. Surely all would favor stories of decentralized coordination of economic activities. Writers in the Austrian tradition, including Hayek, Hutt, and Kirzner, might also include discovery of opportunity, entrepreneurship, and the diffuseness of knowledge. Tullock and others may be keen to include, among the elements of political economy, analysis of incentives in government. McCloskey might emphasize the role of speech in economic activities. Schelling emphasizes the importance of accounting identities for the economic system. Thus, even where opinions concur on how policy should be reformed, minds differ as to which elementals ideas should be stressed as *the arguments in support of* those policy reforms.

ECONOMISTS CAN INFLUENCE PUBLIC AFFAIRS

George Stigler, though at an earlier time apparently sanguine about economists' coming influence as policy advisors (see the quotation on pp. 43-4 below), is quoted by Kirzner as follows: 'Economists exert a minor and scarcely detectable influence on the societies in which they live' (Stigler, 1982, 63). Stigler (p. 34) tells economists not to preach to the Everyman. He even asserts that economists have nothing of interest to tell the Everyman. The Everyman knows his interest and optimizes in searching for information. Stigler tells economists they might as well focus on academic pursuits.

The present authors (with the qualified exceptions of Hutt and Hayek), in contrast, urge economists to take greater part in public discourse. They affirm economists' influence in public affairs. Tullock says economists played a major part in the deregulation of trucking, airline, and banking and the reduction of tariffs. McCloskey (p. 167) says, 'Ideas, not dollars, conquered the regulatory agencies'. Philbrook speaks of 'idea force': '[Hlowever an idea may get into a mind, it is capable of dying there or of gathering immense force. Moreover, a number of minds can be seeded with one expression of the idea. Potentially, then, the force may grow at an astronomical rate' (Philbrook, p. 83).

Perhaps the hopefulness of the authors stems in part from an intuition about the nature of knowledge. If knowledge were merely information (as Stigler often seems to suggest), then there is good reason to be fatalistic. Individuals have effective incentives to search for the bits of information, such as a telephone number, which they lack; further information thrust upon them by economists is unlikely to influence them. But knowledge is not merely information; it is also interpretation and judgment. The Everyman may sometimes demand information used to get pork from his congressman. But the Everyman has a steady, if limited, demand for socially-relevant economic interpretation and economic opinion. That demand is serviced by union leaders, business spokesmen, environmental activists, so-called consumer advocates, lawyers, lobbyists, media pundits, politicians, bureaucrats, and economists. By providing powerful interpretation and scrupulous judgment, economists can take a more vital role in public discourse.

Tullock says citizens would have opposed the Civil Aeronautics Board (CAB) all along if they had known the cartel interpretation of the arrangement. McCloskey says that sports metaphors such as ‘U.S.-versus-Japan’ damage economic understanding, and alternative interpretations of mutual gains and comparative advantage advance understanding. Coase cites an example of thought experiment – imagining the incentives faced by an official at the Food and Drug Administration (FDA) in deciding whether to approve a new drug – as an interpretation with great persuasive power. The knowledge offered in these cases is not principally information – facts and figures – but rather interpretations: stories, histories, thought experiments, and metaphors.

Whereas Stigler, cherishing the notion that knowledge is merely information, eradicates the very idea of error in social events (see, for example, Stigler 1976), Kirzner (1979) insists that error is pervasive in economic processes, and he similarly applies the idea to public affairs. Error may be corrected when the individual discovers a new interpretation: knowledge includes not only information, but also *insight:* insight, that is, to new and superior interpretation. Kirzner criticizes Stigler for failing to incorporate a notion of error into his economics and into his public philosophy. Other authors side with Kirzner and speak of economists helping people to discover the error of their ways. Philbrook (p. 75) speaks of the economist-adviser helping ‘others discover correct attitudes’. Schelling (p. 123-4) speaks of ‘free lunches all over just waiting to be discovered’ by economists proposing policy reforms.

And the knowledge-as-merely-information view suppresses a third facet of knowledge: judgment. When interpretations are multiple the individual has to decide which to take stock in. Judgment is the facet of knowledge where ideas are not merely recognized, but believed and used. Judgment is revealed in action and captured most expressly in phrases such as, ‘I feel we should do such-and-such'. As Michael Polanyi (1962) explained, there is an element of commitment in believing, in the sense that one's beliefs partly determine how one thinks, what one does, and who one is. This is the moral dimension of knowledge, affecting what it is that one will stand for. Economists can influence the Everyman not only by providing facts and interpretations, which help him see where his interest lies, but also by providing moral guidance about what his interests should ***be.*** Rhetoric scholars from Adam Smith to McCloskey recognize that persuasive authority flows from the ethos of the speaker. When an economist argues against licensing restrictions, the argument persuades not only because it is cogent and factually supported, but also because it is sincere and because it is an economist's. 'Economists claim to see around and underneath the economy. They claim to do the accounts from the social point of view' (McCloskey, p.158). An economist urges deregulation of business and persuades others that he comes to that conclusion not because he is pro-business but because he is pro the entire society. For this reason, an earnest conversation with an economist can alter one's values. McCloskey refers to the 'moral authority' of regulatory commissions infiltrated by economists. Philbrook (p. 850) also speaks of exerting influence by making evident 'the validity of a value'.

Economists can offer valuable information, interpretations, and judgment. A fuller appreciation of the nature of knowledge may lead economists to reject fatalistic thinking that says whatever is is efficient. They may instead adopt an attitude expressed by Aaron Wildavsky (1988, 91): 'It is up to the wise to undo the damage done by the merely good'. The merely good make errors, errors that economists can correct.

And even if the influence of economists is small, that small influence is precious. As Coase (pp. 44, 51) puts it: 'An economist who, by his efforts, 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'. Coase encourages economists to take part in public discourse, not because he believes their influence to be large, but because 'even a modest success is not to be despised'.

UNPOPULARITY, SORROW, AND THE STRUGGLE AGAINST DESPAIR

Although the authors express hope that economists will influence public affairs, several tell why the hope must be tough and deep-reaching. The economist's good works rarely bear fruit in any direct way. The economist's advice seems to fall on deaf ears. When good advice is rejected, the rejection is brusque and ignorant. Even in the rare case when the advice takes root, the sage's influence is long lost and he receives no credit. For the most part, participation in public discourse is like tutoring an ornery and spoiled child. The economist must plead to get attention; once he has attention, his appeals consist of elementary ideas rehearsed earnestly and painstakingly, and illustrated by imaginative stories and examples. Just when he thinks the public and policymakers are taking his precepts to heart, they suddenly abandon his instruction and for no good reason. His only recourse is to keep on hoping and pleading. The whole effort is thankless and may make one ridiculous.

A sense of frustration, even desperation, comes across especially in the early pieces by Hutt, Graham, and Hayek, written during the 1930s and 1940s when statism, both as public policy and as intellectual force, was advancing rapidly. Hayek suggests that economic reasoning is likely to lead to conclusions in conflict with universal human instincts and simplistic visions of a happy society. Indeed, we see in this address from 1944 the kernel of ideas that Hayek developed over the subsequent four decades, ideas about the tension between the values of traditional society and the desirable rules for modern society. Hayek (p. 146) cautions his young-economist auditors that in economics 'the ruthless pursuit of an argument will lead you almost certainly into isolation and unpopularity'. The economist 'must not look for public approval or sympathy for his efforts'.

Hutt's counsel is equally dispiriting. He says that the libertarian-oriented economist must 'be aware of a periodic recurrence of a sense of utter helplessness':

> On all sides he thinks he sees the survival of ignorance and confusion of thought on matters which affect human welfare; and he feels that nothing that it is within his power to do or say can have the slightest effect in checking the accumulation of wrong ideas and false policies which they bring forth. He recognizes that in spheres in which policy and action can be influenced, he is doomed to virtual dumbness to-day. He does not attempt the impossible. He seldom protests, for experience and history have taught him that protests are without avail and merely damaging to his reputation. He realizes that persistent opposition to the popular illusions of his time will simply bring him the notoriety of a crank. (Hutt, p. 53)

The sense of frustration and despair is greatest for those economists who take part in public discourse. One of Hutt's section headings reads: 'It is as a critic of actual affairs that the economist is most aware of his ineffectiveness'. Although statist thinking has, in recent decades, not continued to advance the way it did when Hutt wrote, and although Milton Friedman has had no apparent difficulty in remaining cheerful in his conversation with the public, the fundamental problems described by Hutt and Hayek remain highly pertinent to libertarian economists today.

THE GREAT ESCAPE: FROM PUBLIC DISCOURSE TO ACADEMIC CRAFTS

Hutt (p. 55) continues by describing how the economist working on applied issues responds to the frustration: 'In practice, then, he also confines his efforts mainly to writing books and articles that are read only by other economists, and to attempting (if he is a teacher) to disseminate understanding to successive groups of students who come under his influence'. Hutt builds a bridge from the fundamental problems that economists experience in public discourse to the problems within economics as an academic profession. This bridge is less explicit in the other chapters, but many of them show deep concern with the failures of economics as an academic profession. The chapters, therefore, explore the problems an economist faces in two different realms: that of public discourse and that of academic pursuits. Hutt suggests a sociological theory that bridges the two realms, a theory implicit in several of the other chapters.

Hutt clearly identifies the turn inward – into the academy, into strictly economist-to-economist discourse – as an *escape* from the frustration of public discourse. (This theme had been framed earlier and in pungent terms by Cannan, Hutt's teacher; see Cannan, 1933.) The academic pursuit he identifies with this escape is 'pure theory,' or model building: 'The economist may devote himself to "pure theory," where he escapes from the sense of frustrated effort' (Hutt, p. 54). Graham (p. 31) also regards economists' 'logical gymnastics' as an 'intellectual retreat from a disillusioning contemplation of the march of events'.

The rationale for this escape is that 'such an economist will correspond to the "pure scientist" in other fields' (Hutt, p. 54). This presumption of 'science' brings a set of professional norms and standards, with stated ideals of 'value freedom,' 'objectivity,' 'positive analysis,' and 'scientific method'. But, as Wayne Booth (1974) has argued, the collection of such precepts turns out to be mutually dependent, not independently grounded. Science is the conforming to accepted scientific methods. Science is what scientists say it is, and scientists are those who do science. The science talk amounts to a faith in favored professional institutions and practices. That faith may be a worthy one; the point is that economists often do not recognize that it is one interlocking set of beliefs, and do not critically examine it on a broader plane. As Thomas Kuhn (1977, xxi) says, 'The hypotheses of individuals are tested, the commitments shared by his group being presupposed; group commitments, on the other hand, are not tested, and the process by which they are displaced differs drastically from that involved in the evaluation of hypotheses.'

Those turning inward, therefore, do not think of it as an escape. Rather, they defend the turn inward on the grounds that science (that is, doing well academically) has its own pace and force. In the long run, advancing science will do more for society than will direct engagement with the public. This is precisely how Stigler (1982,34,67; 1988, 85, 179) justifies the turn inward.

However, the legitimation of the turn inward is based on an erroneous and largely unexamined faith in academic institutions, a faith that I will refer to as 'the Great Faith'. As Hutt, Graham, Hayek, Philbrook, Coase, Tullock, Kirzner, and McCloskey each indicate in their own way, the fact that the practitioner of political economy is the Everyman means that the field must remain fundamentally different from the natural sciences. The profession proceeds on tacit presumptions about what 'it is all about,' but those presumptions are fundamentally wrong. Graham writes:

> Economics has always been under suspicion as a 'science,' and the consequent defensive attempts on the part of its exponents to force their theory into rigid scientific forms has frustrated its application to the facts of life. (Graham, p. 28)
>
> Much first-rate analytical skill and much scholarly industry has miscarried because the road to academic recognition lay in the refinement of traditional technique, or in assiduous dust-gathering, with little consideration of ultimate purpose. The means have been exalted over the end, and the neophyte, compelled to show his mastery of technique, has quickly learned to love and practice it for its own sake. (Graham, p. 29)

VARIETIES OF PARADIGMATICISM

The Great Faith depends on a strong set of academic standards and practices, which become the markers of 'true science'. In other words, the Great Faith is a faith in dominant formal modes of scholarly discourse, or paradigms (Kuhn 1970, 10-11; 1977, xviii-xx). While a paradigm is a formal mode of scholarly discourse, another term is needed to mean a strong and rigid allegiance to paradigm. Wishing for a less ugly alternative that would do the job, I adopt *paradigmaticism*. (An alternative term might be *formalism*, but that term does not adequately convey the allegiance to paradigm, which need not be mathematical.) Paradigmaticism is what many of the authors find wrong with the economics profession. Many see a conflict within economics between a public-discourse orientation and paradigmaticism. Explicitly or otherwise, the present authors (with the qualified exception of Hayek) protest against paradigmaticism in the profession, because they feel that it diverts economists from assisting the true practitioner of political economy.

The leading form of paradigmaticism is undue stress on formal model-building, and is explicitly protested here by Graham, Hutt, and Philbrook. In their other writings, Hayek, Coase, Kirzner, and especially McCloskey have done likewise. Another form of paradigmaticism protested here by Coase and Philbrook is undue stress on empirical work according to favored quantitative methods (nowadays, regression analysis). And Graham's (p. 28) allusion to the assiduous fact-gathering of Institutionalism perhaps indicates a past form of paradigmaticism.

CONFLICT BETWEEN PARADIGMATICISM AND RELEVANCE

The Everyman does not think or talk the paradigm. Anything valuable that paradigmatic discourse teaches, therefore, must be relayed in a language that the Everyman understands, Although Graham, Hutt, Coase, Kirzner, and Hayek express appreciation for the fruits of paradigm, most of the authors feel that the paradigmatic spirit is too strong, and that the findings of mainstream research are too often not worth transmitting to the Everyman. The objection is not categorical; it is an issue of whether economists are too far down the paradigmatic end of the production frontier.

The Great Faith maintains that paradigmaticism best serves society, that doing well professionally is doing good. But the authors point out conflicts between paradigmaticism and economic enlightenment. Of quantitative paradigms, Coase writes:

> But this development is not without its costs. It absorbs resources which might otherwise be devoted to the development of our theory and to empirical studies of the economic system of a nonquantitative character. Aspects of the economic system which are difficult to measure tend to be neglected. It diverts attention from the economic system itself to the technical problems of measurement. (Coase, p. 45)

Graham directs more biting remarks at formal model-building (written in 1942!):

> Theory has, at length, become so 'scientific' and abstract as to intrigue the mathematicians who have taken delight in developing the concept of a kaleidoscopic and frictionless play of atomistic units in a complex and eternally unfolding equilibrium. The notion of equilibrium suggested equations; equations are prolific parents of their kind; and the game has gone on until the pages of the more esoteric economic journals have become a mass of hieroglyphics intelligible only to those who know the code. All the inconvenient freight of fact has been discarded by the more recondite practitioners until the 'science' has come to move in a

> realm of pure abstraction useful for purposes of cerebration but of steadily declining practical importance. (Graham, p. 28)

In a similar vein, Hutt inveighs:

> Our own suggestion is that whilst the impressive developments in the logical structure of Political Economy which the last forty years have witnessed are valuable contributions to the physiology of economic method, they have tended, in their treatment by some of the most fertile methodological inventors, seriously to obscure the persistent relevance of the backbone of the science. (Hutt, p. 65)

Hutt criticized certain remarks on method made by Joan Robinson, and he identifies a key implicit and undefended conviction of the Great Faith: that knowledge is not true science until it has been captured in a formal model. That conviction justifies the denigration and dismissal of other, less paradigmatic, kinds of research (such as those kinds associated with the collected authors). But Hutt (p. 62) challenges this conviction: 'Because the theorists of the mathematical and diagrammatical schools are in some cases unable to find realistic categories with which their method can satisfactorily deal, that does not prove that other means of so doing do not exist'. As McCloskey has argued at length, model-building is just one genre of metaphor making. There is no reason to suppose that it is the only useful one, and there is good reason to believe that it is incapable of capturing many important theoretical ideas and is unsuitable for many theoretical purposes.

PARADIGMATICISM INHIBITS THE CULTIVATION OF ECONOMIC JUDGMENT

The following chapters suggest that paradigmaticism inhibits the cultivation of economic judgment in the professional economist. Indeed, before one becomes an economist, one is merely the Everyman. And after becoming an economist one remains also the Everyman, since one continues to be subject to nonprofessional cultural and intellectual influences. Addressing young economists, Hayek tells of our having convictions before we come to economics:

> It is probably still true of most of us – and in this, too, economics differs from most other subjects – that we did not turn to economics for the fascination of the subject as such … The fact which we must face is that nearly all of us come to the study of economics with very strong views on subjects which we do not understand. And even if we make a show of being detached and ready to learn, I am afraid it is almost always with a mental reservation, with an inward determination to prove that our instincts were right … Nothing is more pernicious to intellectual honesty than pride in not having changed one's opinions – particularly if, as is usually the case in our field, these are opinions which in the circles in which we move are regarded as 'progressive' or 'advanced' or just modern. You will soon enough discover that what you regard as specially advanced opinions are just the opinions dominant in your particular generation. (Hayek, pp. 138, 139)

Implicit in Hayek's discussion is his belief that the cultivation of good judgment in economics is a process of coming to understand why free, voluntary, private activities are much more socially effective than government enterprise and regulation. The average college student today has not undergone this learning process. Rather, he is a citizen of a society where conventional thinking is highly statist. People are accustomed to pervasive government with its institutions, rituals, personalities, histories, permanence, and incomparable power. Government as a binding, guiding force for society is a central idea and value in Western culture. The average college student has been schooled by government employees and gets his or her ideas from news services that depend greatly on the cooperation of government officials. There is a good chance his or her parents work for government.

The process of cultivating good economic judgment entails the rigorous probing of major public-policy issues. The probing is audacious in its imagination and vision, and ruthless with conventional thinking. It is highly argumentative and personally challenging. It studies the arguments on all sides of the issue. The issues are genuine and the positions are genuinely held by mentors. Students acquire judgment by being expected to develop convictions; not because having convictions is desirable, but because the process of developing convictions impels a scrupulous awareness of what the arguments are and a searching understanding of how the arguments really stack up. A sound training in economics is a process of edification.

The problem with paradigmaticism is that it thwarts the edification process. Advanced courses in model-building and econometrics can in no way substitute for an impassioned, searching study of the FDA, drug prohibition, occupational licensing, antitrust policy, and the US Postal Service. Such study relies, to be sure, on quantitative evidence and careful reasoning based on models, but, as many mainstream economists have noted, the evidence and reasoning with the most 'oomph' are very low tech. Hutt explains the consequences of paradigmaticism:

> [T]he swamping of economic treatises with mathematics has ... diverted attention from fundamentals to points of analytical interest, and incidentally thereby led to some actual corruption or unjustifiable weakening of basic tenets . . . [The intricacies of the mathematical method] appear to have caused some of those practising it to lose their continuous intimacy

> with ***certain broad unquestionable elements of reality which ought always to dominate in applied theory.*** Whilst not actually inducing generalizations from special cases, some economists seem to have given undue stress to *curiosa* in a manner that has tended to distort their ***judgment*** and weaken the authority of economists generally. (Hutt, p. 57, first set of italics added)

Where Hutt refers to 'certain broad unquestionable elements of reality,' we might especially consider the pervasiveness of yet-to-be-discovered opportunities and the radical decentralization of knowledge, themes prominent in the tradition of Smith and Hayek. Yet it is precisely these themes that the model-building paradigm suppresses.

McCloskey (p. 108) writes of the breakdown of judgment in economics: 'Economics around 1950 gave up social philosophy and social history to become a blackboard subject ... [W]hy should historical and philosophical doubts that the wealth [of nations] arises from planning be entertained if a sweet diagram can prove that planning works?' Economists trained only in paradigm simply do not have an opportunity to cultivate economic judgment.

Hutt (p. 63) explains that the problem then spills over to the public at large: 'the public mind would be led away from basic essentials ... owing to the diffusion of effort ... to ingenious futilities'. Paradigmaticism undermines economists' authority with the Everyman, first, by inhibiting the cultivation of good judgment and thereby reducing wise consensus among economists, and, second, by leading economists to pursue irrelevant questions and speak an esoteric language. Economists turn their back on the Everyman, and the Everyman turns his back on economists. It is this breakdown in authority, a breakdown in economics as a moral and intellectual force against ***dirigisme,*** that several of the authors see as the great tragedy of modern economics.

CYNICISM AND ACCEPTANCE OF THE STATUS QUO

The attitude of some market-oriented economists brings to mind a parable from Søren Kierkegaard:

> It is said that two English noblemen were once riding along a road when they met a man whose horse had run away with him and who, being in danger of falling off, shouted for help. One of the Englishmen turned to the other and said, 'A hundred guineas he falls off'. 'Taken,' said the other. With that they spurred their horses to a gallop and hurried on ahead to open the tollgates and to prevent anything from getting in the way of the runaway horse. In the same way, though without that heroic and millionaire-like spleen, our own reflective and sensible age is like a curious, critical and worldly-wise person who, at the most, has vitality enough to lay a wager. (Kierkegaard 1978, p. 15)

Many economists see the great power of economics both to find viable solutions and to convince others, yet nonetheless feel no responsibility to make economics sing in the body politic. If judgment within the profession is to be improved and the authority of the profession enhanced, the first task is to get economists with good judgment to work together. There is a rift within the more libertarian-oriented half of the profession, a rift over paradigmatic work versus nonparadigmatic, policy-relevant work. The paradigmatic comrades sometimes slight nonparadigmatic work as 'nonscience' and policy work as 'advocacy'. They usually have (or hope to have) opportunity in prestigious academic circles. They are sometimes caught between two conflicting personal goals: winning academic esteem and favor, and winning ideological esteem and favor.

The turn inward often triumphs. Though not advancing ideas in opposition to wise policy, the economist abandons his ideological interests and neglects research topics that could advance wise policy. He justifies his choices with the notion that advancing science does more good, ultimately, than does 'advocacy,' and science is 'value neutral'. But as Graham (p. 30) says, '[t]he assertion that the scientist should be completely free of value judgments, even if it were realizable, is in itself, of course, a value judgment'. The trouble is not that, at bottom, implicit value judgments are, after all, snuck in; the trouble is that the implicit value judgments are unexamined, and turn out to be unworthy. Graham wryly exposes the weakness of the inward faith: '[Some] writers have been content to affirm that science is concerned only with means and not with ends and that the final determination of ends must be left to those fitted to make value judgments, whoever they *might be*'. (Graham, p. 32; italics added). Graham's statement could be read with George Stigler in mind; Stigler (1982, 3) writes: 'Economists have no special professional knowledge of that which is virtuous or just.'

Graham suggests that the inward turn must rest on a belief that the academic system is driven by intelligent forces and beneficial mechanisms, and that economists, like grocers, will best serve society by taking consumer tastes ('ends' in Graham's language) as given, playing their part quiescently in the vast division of labor, and getting on in their careers. But economists have not, of course, actually done the economics that would be necessary to support such a view of their own 'industry'. Again, the problem is not that economists are going on faith and making value judgments – such is ineluctable – but that the implied faiths and judgments are so ill-considered.

Graham's sarcastic *whoever they might be* zeros in on the error. The social ends that economists are presented with are not determined by experts in such a task, but by our collective foolishness as democratic society. Here the 'consumer' is not choosing wisely. The 'consumer' is the Everyman, who ignorantly and negligently makes the real choices in political economy. To believe that there is an efficacious connection between what is decided by referees at the prestigious academic journals to what should be known by the Everyman-practitioner is truly a great faith.

Several of the articles suggest that the acceptance of the status quo is really a fleeing of responsibility. Often the rationales for the profession's norms are lacking or half-hearted, and cynicism is rife. The authors dislike this trend. Their response is clear: ***whoever they might be*** might as well be us, economists. It is up to the wise to undo the damage done by the merely good.

Graham argues that it is not enough for economists to understand how the status quo operates. If economists are to lead society toward better things, they must explore 'things as they could and ought to be' (Graham, p. 31). Economics, says Graham (p. 30), 'must be not only analytical but imaginative'. An example from the modern literature comes to mind: there is a proliferation of technical articles that analyze particular aspects of modern central banking systems, but relatively scant attention is given to the question of whether central banking should exist in the first place, and of how a ***laissez-faire*** system of banking would work. Work that posits major policy reform and explores how such regimes might work in practice are often disparaged as 'nonscience,' 'nonrigorous,' 'speculative,' and 'unrealistic'.

PHILBROOK'S COUNTERATTACK AGAINST THE 'REALISTS'

Clarence Philbrook evidently had been derogated for lacking 'realism' one too many times. His article, published in the ***American Economic Review*** in 1953, responds to the charge of 'unrealism' that one suffers when proposing or merely exploring major policy reform, such as ***laissez-faire*** banking. The article is pithy and difficult, and some introductory remarks may be helpful.

Imagine an economist presenting research on how ***laissez-faire*** banking would work, and arguing in its favor. His colleagues do not seriously consider his arguments, hut simply say the whole notion is 'unrealistic' and dismiss the research as 'advocacy'. But the critics do not explain what they mean by 'unrealistic,' nor how the charge justifies their dismissal. Philbrook searches for the implicit justification of the 'realism' criterion, and then answers it. Thus, he has the job of scrupulously articulating his opponents' argument and then knocking down that argument. Philbrook's opponents, the 'realists,' are not model builders, but rather applied economists working on institutional and policy topics. Perhaps the 'realists,' says Philbrook, take the view that everything in society should be taken as given and unalterable. But the very act of conducting research and giving advice must proceed on at least a pretense that some pieces of the situation may be subject to influence by the economist-adviser. Otherwise, there would be no point to the whole enterprise. Philbrook (p. 74) notes that any policy change requires 'a change of attitudes on the part of a large number of persons'. Thus, short of confessing to charade, 'realists' must join Philbrook in presuming that economics is capable of influencing citizens and public officials, if only remotely.

The 'realism' philosophy must, therefore, come down to a set of beliefs about which policy reforms are politically viable and which are not. It must rest on a set of beliefs about the probabilities associated with various reform proposals. Free banking, for example, however desirable it may be thought to be, is regarded to have such a small probability of realization that it is foolish to even discuss it, and hence is dismissed as 'unrealistic'. Or, Philbrook says, 'realists' might have in mind a criterion that mixes the realization probability with the degree of desirability of the reform. 'Men called "unrealistic" are those who disregard this principle and presumably those who assign probability weights incorrectly' (Philbrook, p. 79). When reading Philbrook, bear in mind from the start that he rejects the entire probability philosophy which he attributes to the 'realists'. His own view is that professional esteem and rewards should not be withheld from economists who study the desirable, regardless of its probability of being realized.

Philbrook's counterattack is rich and multifaceted. One point of his valiant essay deserves special attention. The probability that free banking, for example, will be realized depends on how many other economist-advisers advocate the reform. 'If all, however, follow the "probability" principle, no one can commit himself until many others (nearly all?) have committed themselves'. If making their choices simultaneously, economists' advice will 'be the product of infinite involutions of guesses by each about what others are guessing about what he is guessing about what they will advocate' (Philbrook, p. 84). Philbrook is pointing out that if science is what scientists say it is, and scientists are those who practise science, then scientists are playing a coordination game with bad equilibria. One equilibrium in particular stands out for its focal properties. Philbrook (p. 86) writes of the 'mutual anticipation ending only in universal support of the status quo'. The focal power of the status quo shapes the evolution of professional ('scientific') norms. The profession suffers from what path-dependence theorists call 'lock-in'. Philbrook (p. 71) remarks: 'There has grown a widespread practice of cooperation with "things as they are," without explicit criticism of them, which is bound to have the effect of active approval regardless of whether such is intended'. Empirical economists tease out regression results about the status quo, but neglect candid comparison with major policy reform – abolition of the FDA, the Securities and Exchange Commission (SEC), government schools, government roads, etc. – even though such reforms may be thought desirable. Philbrook's article is aimed at applied economists who pull their punches with status-quo policies, in the name of 'positive analysis,' 'realism,' 'science,' etc.

WHAT, SPECIFICALLY, ECONOMISTS SHOULD DO MORE OF

With the qualified exception of Hutt and Hayek, the authors encourage economists to become more engaged in public discourse. This means efforts at general education – Tullock suggests talking to Rotary Clubs and writing newspaper articles – or it might mean writing as adviser to policy makers, or it might mean simply focusing one's work more on public-policy issues. All these activities are likely to be less paradigmatic than what now prevails as normal professional work. Since the practitioner of political economy is the Everyman, however, one could argue that these activities advance the art more than does highly paradigmatic work.

Most of the authors feel that economists have gotten carried away with paradigm. Most favor an adjustment at the margin toward less paradigmatic, more policy-oriented work. Such an adjustment would not be without its difficulties and drawbacks. Indeed, the great virtue of paradigmaticism is that it provides relatively clear criteria for rating research. Academic affairs call for a set of standards which can, relative to other possible standards, be applied consistently, to reduce vexing internecine conflict over every orals examination, job candidate, or tenure case. Without common standards and values an academic community is not a community. Paradigmaticism prevails precisely because it serves these institutional functions. Tempering the stress on paradigm – by giving more credit in promotion cases, for example, to general-readership articles, think-tank reports, and lectures to Rotary Clubs, and less credit to articles in prestigious journals – could lead to a less definite set of standards and less predictable decision making. Academic economists should find the marginal rate of transformation that maximizes not their own comfort and sanctuary, but the service economics renders to society.

DOING WELL CAN MEAN DOING GOOD

Gordon Tullock's lecture, 'How to Do Well While Doing Good!', was first written for a seminar at Virginia Polytechnic Institute some time during the early 1970s (it remained unpublished for more than a decade). He says virtue does not have to be its own reward. Talking to Rotary Clubs can pay off professionally. Maybe things were different in the early 1970s, or maybe Tullock is disguising the facts to serve a greater good. Tullock (p. 92) in fact belies his upbeat promise of professional payoff when he describes what he proposes as 'unprofessional'.

The real point is that economists should do good sometimes regardless of professional considerations. Tullock says:

> 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 [wasteful government] organization in your locality than the average person does – indeed, very much more. It is an unusual form of charity, but a form in which the payoff would be high. (Tullock, p. 102)

Similarly, Schelling (p. 124) concludes his address to the Economics graduating class at Berkeley: 'To those of you who become professional economists I urge you: get out there and help find those free lunches.' All of the authors esteem economists who bring economic enlightenment to the Everyman. Doing so may not help you to do well professionally (it may even hurt); however, some find knowing that they would have their esteem to be well-doing of another sort.

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