THE MISES REVIEW

VOLUME 2, NUMBER 2 ■ SUMMER 1996

Economists Try the Vision Thing

THE CRISIS OF VISION IN MODERN ECONOMIC THOUGHT
Robert Heilbroner and William Milberg
Cambridge University Press, 1995, ix + 133 pgs.

A familiar Austrian criticism of mainstream neoclassical economics is that it lacks touch with reality. Rather than explain human action through commonsense knowledge, modern economics has become a branch of applied mathematics. The true test of an economic theory should not be its mathematical elegance, but its ability to convey an understanding of the phenomena of the market.

Those who find this line of thought persuasive may be at first inclined to welcome Heilbroner's and Milberg's erudite survey of current economics. They adopt wholeheartedly the Austrian criticism (or so it seems): The "mark of modern-day economics is its extraordinary indifference to this problem [of how theory relates to reality]. At its peaks, the high theorizing of the present period attains a degree of unreality that can be matched only by medieval scholasticism" (pp. 3–4). This is unfair to medieval philosophy, but in the present context it is a forgivable failing.

A QUARTERLY REVIEW OF BOOKS, BY DAVID GORDON

But beware of New School economists bearing gifts. Our authors do not share the Austrian quest for an accurate grasp of economic reality. Instead, they wish to foist on us a social constructivist view in which economists do not come to know the world but devise models to alter it.

Though they do not quote Marx's famous thesis, its spirit permeates their work: "Philosophers have only interpreted the world; the point however is to change it." And how should it be changed? Heilbroner and Milberg operate with a combination of ultra-Keynesian economics and a Marxist view of the nature of capitalism: they accordingly wish for a thoroughly state-controlled economy. The free market is the enemy.

Economics since Keynes, our authors contend, lacks vision. "By vision we mean the political hopes and fears, social stereotypes, and value judgments, all unarticulated . . . that infuse all social thought, not through their illegal entry into an otherwise pristine realm, but as psychological, perhaps existential, necessities" (p. 4).

In the absence of vision, economics cannot have a "consensual center," a text that represents the thought of most economists. Paul Samuelson's *Principles of Economics*, they hold, occupied this position in the period of Keynesian dominance; but nothing has since replaced it (p. 31). A state of affairs with a center they term a "classical situation."

A problem with this view at once arises. On their characterization of vision, how can any economist, even a New Classical theorist, fail to have a "vision"? Surely Robert Lucas and the members of his school, whose influence our authors so deplore, have "political hopes and fears, social stereotypes, and value judgments." These economists may try to insulate their theories from their vision, but if Heilbroner and Milberg are right, they will not succeed. What, then, does the claim that contemporary economists lack vision amount to?

The answer is only too obvious. Good economics, to them, is theory that rests on their own ideological commitments. Keynes had a vision of the requisite kind because he favored the strong hand of the state in the economy. He geared his economic theory constantly to the political intervention he favored.

By contrast, Keynes's New Classical successors endeavor to separate analysis from political action. They even, *horribile dictu*, question the

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efficacy of state intervention. Such nonsense denies the benefits of the New Deal and thus cannot be seriously maintained. And their New Keynesian critics are little better. They too accept the divorce of economics and politics.

I suspect that readers will take the preceding paragraph as a caricature, but unfortunately it is not. Keynes they admire because he abandoned marginalist analysis. Keynes's conceptual shift, they claim, entailed "the abandonment of the micro-maximization that provides the fundamental basis for marginalist analysis." There is "a shift from an individual-centered to a group-centered standard of behavior" (p. 32).

And what is so good about that? Precisely that it offers a basis for the government to intervene. If we emphasize groups instead of individuals, we will secure "a concept of economic action . . . for which no lawlike explanation is available" (p. 33). As Murray Rothbard would have said: "What? This is supposed to be an *advantage* of Keynesianism?"

Readers of Mises's *Omnipotent Government* will recognize a familiar pattern. The members of the German Historical School could not tolerate the view that objective laws of economics exist. If there were such laws, then the centrally controlled economy favored by Schmoller, Wagner, Sombart, *et hoc genus omne* would lead to economic ruin. But this cannot be true: therefore, there are no economic laws. Who could quarrel with so obvious an argument?

It is no coincidence, I suggest, that the book's senior author was a disciple of a minor member of the German Historical School, Adolph Lowe, long ensconced at the New School. Lowe

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figures briefly but centrally in the book: "Given the strategic importance of government policy whose intent is to counter the 'natural' course of events, the conventional predictive orientation of economics must change to what Adolph Lowe has called an 'instrumental'—that is, means-ends directed purpose" (p. 125). It is apparent that Professor Heilbroner has been an apt pupil.

Given the authors' fervent commitment to *dirigisme*, you might anticipate that the Austrian School is in for some rough handling. If you thought that, you would be wrong: the Austrians are not discussed at all. (Hayek and Böhm-Bawerk, whose name is misspelled, are mentioned in passing, but neither name appears in the index.) The chief villains, as mentioned before, are the New Classicals.

I do not think that Lucas and his colleagues will be much troubled by Heilbroner's and Milberg's criticisms of them. Once more, their perverse theory of knowledge—there is no objective truth, so let's do whatever suits our policy purposes—rears its ugly head.

They discuss a dispute between Lucas and Alan Blinder about the Phillips curve. The argument rests, they claim, on the different conceptions of economics held by the two economists. "For Lucas, the distinctive attribute of economics lies in its 'scientific' foundation in rational individual choice. Accordingly, the obligation of the economist is to pursue the logic of this foundation. For Blinder, realism and historical adaptability of the framework are more important than strict adherence to ontological principle" (p. 55). (By "realism" they mean usefulness for policy.)

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Our authors tell us on the following page: "In this conflict of opinions there does not seem to be any objective basis for determining which verdict is the appropriate one." Their statement is consistent with their own nihilistic theory of knowledge, but readers will have no trouble surmising their preference in the dispute.

Those old-fashioned enough to adhere to a realist theory of knowledge will at this point raise an obvious objection: unless we have accurate knowledge of reality, how can we achieve any policy goals? If we do not know the world, we cannot change it. I was at first puzzled how Heilbroner and Milberg, both without doubt learned and intelligent scholars, could miss so apparent a point. If a hermeneutician had not grasped it, all right: but reputable economists!

But the book contains a most remarkable passage that explains why the need to grasp reality does not much figure in their thought: "[O]ur purpose is to set the stage for examining more carefully the nature of all heuristics, which is to say, of all construals of the 'chaos' of raw reality—William James's famous 'buzzing, blooming confusion' of uncategorized nature" (p. 75).

Now the (cat)egory is out of the bag! Our authors reject classical realism because they think the world is in itself an unknowable chaos: we are free to shape it as we wish. This is not the place to analyze this view of the world. I shall say only that it seems to me not only mistaken but deeply immoral. Perhaps one may leave it to the Randians for refutation: even they have their uses. (Incidentally, the authors misquote James and invert the order of his words: he wrote "*boom*ing, buzzing confusion.")

If contemporary economics is in such bad shape, what is to be done? Naturally, one must return to the macro perspective of Keynes. Away with marginalism; let uncertainty reign! But this is not enough: a strong dose of Marx is required as well. Economists ought to adopt his fundamental insight that the capitalist system rests on the blind drive to accumulate capital:

"[C]apital takes on a protean and dynamic form as its owners use it to buy such common objects as cloth and labor power, which are then combined to create commodities offered for sale for more than they cost. This process takes place not once, but again and again, in pursuit of the end of increasing its value. Here we have Marx's famous circuit M-C-M′, a self-expanding process . . . that infuses capital with life" (p. 106). I hope no one will object that Marxism has been refuted. That is a question of reality; and for our authors, "what is that to us?"[1]

[1] Heilbroner's predilection for bizarre theories has been present throughout his long career. One of his early articles claimed that Shakespeare's plays were written by Christopher Marlowe. ❖

What Meaning Really Means

THE POLITICS OF MEANING: RESTORING HOPE AND POSSIBILITY IN AN AGE OF CYNICISM
Michael Lerner
Addison-Wesley Publishing Co., 1996, xi + 355 pgs.

Michael Lerner fears ridicule, with good reason. His "politics of meaning" is a farrago of nonsense, one absurd assertion tumbling over another. But we dare not laugh too much: this man is dangerous. Hillary Clinton takes him seriously.

Of that fact there can be little doubt. In a speech delivered on April 6, 1993, Hillary sounded just like him. Lerner reprints a long passage from her talk (pp. 311–12), with extravagant praise.

It was, he avers, "an extraordinary speech." Here "was the president's wife willing to challenge the market itself" (p. 312). Readers will have no difficulty seeing why her remarks induce palpitations in our prophet of spiritual renewal. The brand of tripe being peddled in the talk could only have come from one person: Lerner is praising himself.

The speech drew national attention to Lerner, and stories about him appeared in *The New Republic*, *The New York Times Magazine*, and other scientific periodicals. Hillary quickly distanced herself from her alleged guru, and Lerner now criticizes the Clintons for a retreat to the "old politics." But I strongly suspect that we have not heard the last of Lerner's influence at the White House.

As I write, President Clinton has proposed that high school students receive national awards for "community service," a suggestion that might have come straight out of *The Politics of Meaning*. "Honors awards