

If You're So Smart: The Narrative of Economic Expertise. By Donald N. McCloskey. Chicago: University of Chicago Press, 1990.

The book *If You're So Smart* continues and extends the analysis of positivism in economics presented in *The Rhetoric of Economics*. Here, once again, Donald McCloskey champions the claims of rhetoric. He applies his approach to several issues of economic history and lambastes economists who don the mantle of science for their forecasts of the future.

McCloskey's critics often condemn him as an irrationalist who wishes to substitute myths of his own devising for the dictates of reason.¹ This accusation the author firmly rejects. He does not wish to expel fact and reason from economics; instead, he wishes to clear a space for literary understanding. Method, in his view, rests on a "rhetorical tetrad—fact, logic, metaphor, and especially story" (p. 24). Economists cannot proceed untrammelled by the constraints of fact; however, the world does not compel a simple response but leaves room for alternative accounts.

These accounts make use of the devices of literary persuasion. Rather than speak of a theory that confronts reality, McCloskey prefers to talk of "metaphorical and narrative questions [which] answer each other" (p. 10). The use of rhetoric aims to convince. Truth in economics, as in other academic disciplines, rests to a large extent on consensus among the subject's practitioners.

McCloskey writes with clarity and force, ably applying in practice the literary skills he endeavors to promote. His views on proper method, however, strike me as largely unpersuasive. The positivists whom McCloskey opposes divide meaningful statements into two classes: empirical and necessary. Only the former type secures new knowledge since logical necessity is a matter of linguistic convention and analytic statements are tautologies. (Necessarily false state-

¹An example of such is Hans-Hermann Hoppe, "In Defense of Extreme Rationalism: Thoughts on Donald McCloskey's *The Rhetoric of Economics*," *Review of Austrian Economics* 3 (1989): 179–214.

ments are meaningful, but for obvious reasons these need not be taken up here.) Whatever in language is neither empirical nor necessary is in strict terms without meaning. To claim that murder is wrong, e.g., is simply to express one's rejection of killing. Nothing factual has been asserted.²

McCloskey remains the prisoner of the positivist theories he so roundly condemns. If positivists dismiss the unverifiable as poetry, McCloskey simply reverses the usual moral positivists draw from their partition of language. "Poetry" is not bad but good: science extends far beyond the limits to which positivists desire to confine it. Nowhere does McCloskey challenge the positivist theory of meaning itself. He fails to consider the view that strict knowledge may be obtained through other methods than those favored by positivists. (The praxeology of Mises is of course a key instance of such a view.) Instead, he tacitly agrees with his professed foes about scientific knowledge but calls for the inclusion in science of the emotive language that positivist method has as a principal aim to expel.

McCloskey states, e.g., "a metaphor used in an economic story is not 'true' in a simple way" (p. 64). By "metaphor" McCloskey does not intend a particular trope alone but rather all use of language which fails to be strictly factual in the positivist sense. Almost all statements used in economics count as metaphorical for McCloskey; since these statements are not fully verifiable they *cannot* be literally true. Of course, a metaphor in ordinary language is literally false: but, unless one accepts McCloskey's view of literal meaning, a "metaphor" in his extended sense can be an ordinary language sentence that is true without qualification. "The value of an economic good depends on its marginal utility" is, if I have understood McCloskey's usage, a metaphor, since the statement can be tested only approximately. But why not take the statement as non-metaphorically true, in the Austrian manner? I wish that McCloskey had examined the Austrian view, rather than simply embrace what his quondam Chicago colleagues reject while leaving unchanged their underlying analysis. Like them, he believes that the extent a statement cannot be verified, it lacks literal meaning.

One may, I think, go further. Even if McCloskey holds the view of literal meaning I have attributed to him, he ought still to examine the Austrian position. Praxeology starts from the axiom of action and a few additional assumptions and attempts to deduce the body of economic theory through common-sense reasoning. Mises devoted considerable effort to a refutation of positivism, and to good purpose.

²I do not wish to claim that all logical positivists adopt the group of positions noted here.

But do his own findings require one to reject the positivist criterion of meaning? I do not think so, unless one adds (as nearly all positivists do) that a scientific statement must be subject to continual experimental test. But why must it? The common-sense reasoning used by Austrians seems to generate propositions that are empirical, to the satisfaction of the strictest supporter of verifiability. The fact that Austrians hold a different position about what sort of tests need to be used in science is altogether a different question. I do not wish to defend the verifiability criterion—quite the contrary. But even those who acknowledge it have no excuse to turn a blind eye toward praxeology.

McCloskey might reply that he has not neglected the deductive method. Praxeology claims to establish truth. In so doing, it falls victim to an argument McCloskey advances to show that we have no direct access to reality. (The argument is found in *Rhetoric* rather than *If You're So Smart*.) The argument is this: To determine whether our concepts accurately grasp reality would require us to examine reality without using our concepts, since it is their ability to convey truth which we wish to assess. But this we cannot do: We use concepts in all our knowledge. Absent any direct, non-conceptual grasp of reality, we must stay within the circle of our concepts. Once our inability to free ourselves from our conceptual net is accepted, we cannot shrink from the next step. We must recognize that we construct our concepts: they are found rather than made. To the extent that the Austrian method of deduction claims that its results are literally true, it must be rejected.

The argument just presented lacks the decisive force McCloskey, closely following Richard Rorty, attributes to it. What exactly is meant by the possibility that none of our concepts enables us accurately to grasp reality? "Negation" and "identity" are concepts we use: is there a "world-in-itself" to which they do not apply? The assumed non-conceptual world is, *ex hypothesi*, incapable of description. Why assume that it is possible?

The foregoing remarks do not suffice to dissolve skepticism. Even if some of our concepts cannot be imagined incapable of application, it does not follow that all of them share in this privileged status. Does not McCloskey's problem then recur? To determine whether a concept applies to reality, must one not "step outside" the concept and examine reality directly? And how exactly is one to do this?

This skeptical question cannot easily be answered, and I fear that I must take refuge in the evasion that this is not the place to address difficult issues in the theory of knowledge. Before turning from the issue, one needs to ask: Does McCloskey's problem require us to regard claims to knowledge as at least in part constructions based on metaphor rather than depictions of an independent world? Not at all.

McCloskey's difficulty has to do with verification—how do we know that our claims to depict the world accurately are true? Even if the question cannot be answered, our claims have not been undermined. To elicit a skeptical outcome from his question McCloskey needs to add the controversial “KK” principle— if *S* knows *p*, then *S* knows that *S* knows *p*. (Perhaps a weaker variant of the principle will do.) Suffice it to say that the principle is a dubious one: absent an argument for it, McCloskey has succeeded only in raising an interesting question.

In any event, even if one were to grant McCloskey the gap he alleges between our concepts and reality, economics emerges unscathed. Economics is concerned with human action: questions about the world independent of our concepts do not arise in it. One might object that economics deals with land, natural resources, techniques of production, etc., as well as action. But this is not to the point, since the items just mentioned do not belong to the noumenal world. They fall under our concepts, whatever else might not. McCloskey's foray into epistemology, though valuable, is not relevant to economics.

Though I have considerable reservations about McCloskey on the theory of knowledge, he seems to me much better when he takes up questions within economics. He discusses insightfully the views of several economic historians on the British economy in the late-nineteenth century. He questions whether it is useful to speak of decline, when in point of fact the British economy was expanding. The higher growth rate of Germany in some industries hardly suffices to show disaster for Britain. Here McCloskey makes an excellent case for the value of attention to metaphor. His discussion of what “decline” means is a model of acute literary analysis. His presentation of the career of Alexander Gershenkron, one of his teachers, is also informative.

Unfortunately, McCloskey cannot leave philosophy alone; and in the central issued addressed in his book, he mars an otherwise useful treatment by dubious remarks.³ He denies that economists can accurately foresee the future of the economy. Toward those who make such predictions, he asks the “American question” that forms his title: If you're so smart, why aren't you rich? If anyone could foretell the economic future, he would be in a position to gain for himself fabulous wealth. Why would he disclose his goldmine to others?

McCloskey's skepticism about economic predictions fits in well

³McCloskey makes several technical mistakes. The statement about inflation in a parallel world should be in the indicative, not the conditional sense (p. 91). Leibniz did not hold that no possible worlds are similar to the actual world (p. 93). Church's theorem does not say that it is impossible to predict the future of mathematics (p. 131). A Pareto-superior change is confused with a condition of Pareto optimality; and a change that does not meet McCloskey's condition can be Pareto superior (p. 136).

with the Austrian view, and his ironic account of economic forecasting amuses and instructs. At times, McCloskey fails to distinguish two separate issues: is it possible to predict the future of the economy? If it is, why would the information be disclosed to the public? Perhaps, for all McCloskey has shown, there *are* successful predictors who keep their methods to themselves. Of course, McCloskey does not deny that there are successful entrepreneurs. The point at issue is whether there are *methods* of foreseeing the future.

Worse is to come. McCloskey informs us: "Humans react to economic predictions in ways that dampen or magnify the prediction" (p. 121). Hence the disclosure of a prediction will result in its falsification, as people take account of it in guiding their behavior.

This argument begs the question. If a prediction is correct, then people will not react to it in a way that falsifies it. It is logically possible that they modify their behavior in the ways McCloskey specifies, but a successful prediction does not require logical necessity. To say that people *will* modify their behavior is just to assume that the prediction will fail, the presumable point of the argument.

McCloskey's claim that self-prediction is impossible fails for the same reason. He states: "The impossibility of self-prediction has become a commonplace in philosophy. You do not know today what you will decide tomorrow, unless you have already decided it, in which case it is not tomorrow but today that you decided it" (p. 130). Is that so? I know what I shall have for breakfast tomorrow, but I have not now *decided* what to have. That I shall do tomorrow. The impossibility involved in this last remark I am entirely unable to fathom.

Returning to his epistemological theme, McCloskey offers his readers an important lesson: "Dogmatic Marxists, dogmatic neoclassicals, dogmatic Austrian economists, dogmatic institutionalists, who have put each other's writings on an index of forbidden books, are ethically dangerous, all of them. They are true believers, or rather, believers in truth. The best lack all conviction, while the worst / Are full of passionate intensity" (p. 146).

McCloskey has misread the familiar lines: Yeats did not praise tolerance but described an imminent apocalypse. No doubt McCloskey, whose analysis of a Wallace Stevens poem (pp. 97–99) shows remarkable skill, knows "The Second Coming" perfectly well. Perhaps he is making a small joke at the unwary reader's expense. In any event, non-dogmatic is, if not the last adjective one would apply to McCloskey, very near the last.

David Gordon
The Ludwig von Mises Institute

Robert Nozick: Property, Justice and the Minimal State. By Jonathan Wolff. Stanford University Press, 1991.

Jonathan Wolff sets himself an ambitious goal in *Robert Nozick*. His principal aim is to offer a guide to Nozick's *Anarchy, State, and Utopia*. Beyond this, he says that "part of [my] task will be to reconstruct Nozick's arguments and conclusions to make them as coherent as possible. . . . I shall try to clarify Nozick's reasoning and make good the gaps where necessary and possible, so that we might appreciate the force of the arguments, and subject them to rigorous examination" (p. 2).

Wolff succeeds admirably in presenting a simplified version of *Anarchy, State, and Utopia*.¹ His accomplishment deserves extra praise because he strongly opposes what he believes to be the political consequences of the work (p. viii), but nevertheless remains fair in his presentation. Wolff never stoops to caricature, and the quarrels I have with his discussion concern matters of interpretation, not outright errors.

Wolff's account suffers from one principal defect, which prevents me from wholeheartedly recommending it. The author conflates Nozick's position with that of other libertarians. Sometimes he criticizes Nozick for positions he does not hold, but other libertarians do; on other occasions he challenges libertarians generally for not answering difficulties just because Nozick does not address them. Wolff's mistake in large part stems from his acceptance of the arguments of G. A. Cohen, one of his teachers. Cohen, a Marxist political philosopher of great acuity, has devoted several articles to Nozick which suffer from the problem previously discussed.

The issue arises quite early: At page 4, Wolff refers to Nozick as holding that one has "rights of ownership over oneself." He amplifies this remark so that the "thesis of self-ownership" becomes the basic

¹The book is concerned only with the Nozick of *Anarchy, State, and Utopia* (New York: Basic Books, 1974). Wolff notes Nozick's criticism of libertarianism in *The Examined Life* (New York: Simon and Schuster, 1989), but he does not discuss Nozick's later views at length (p. 2).