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Heilbroner's Economic Means and Social Ends

All symposia necessarily suffer from dispersion and lack of focus, but often they are redeemed by being permeated by an overarching and significant central theme. This symposium suffers even more than others on two vital counts: its vagueness and absence of clear focus, and the banality and lack of importance of its central theme.

For these are papers presented in two two-day symposia held in the spring of 1968 at the New School for Social Research, all dealing with the allegedly new science of "Political Economics" developed by Adolph Lowe, a professor emeritus at the New School. The entire work is suffused by a reverential "old boy" atmosphere that turns the papers into a celebratory exercise for the existence and the output of Professor Lowe; as a result, even the papers which could have been more searching and critical take on a muted and suffused tone, as if not to spoil the atmosphere of laudation. The disunity of the work is intensified by the fact that half the contributors are philosophers and the other half economists; the philosophers display minimal knowledge of economics and most of the economists ignore the philosophical problems involved. Professor Lowe begins the work by summarizing his position and then concludes with a reply to his commentators.

The abiding curiosity of the book is what Professor Lowe has accomplished to merit this extensive treatment. For his "new science of political economics" is little more than a cloudy and abstruse call

[Reprinted from *The Antitrust Bulletin* 17 (Summer 1972): 691–700. Review of *Economic Means and Social Ends: Essays in Political Economics*, Robert L. Heilbroner, ed. (Englewood Cliffs, N.J.: Prentice-Hall, 1969).]

for an instrumental form of socialism, and there is nothing here that has not been presented far more clearly and trenchantly by Marx, Veblen, and countless writers in the socialist literature.

To Professor Lowe, the great flaw of the free-market economy is that it is "disorderly" and unpredictable, presumably because every individual is free to pursue his own goals in his own way. It is the necessary task of government, then, guided, to be sure, by Lowe's "political economists," to coerce the citizenry into acting in a "predictable" fashion, and to impose "order" upon the economy in the service of what Lowe concedes are the purely arbitrary goals of the political economists. In short, the goals and ends decided upon by the economist–rulers, no matter how arbitrary they may be, are to be imposed upon the rest of society by dictatorial fiat and by the coercive arm of the State. In common with most would-be dictators throughout history, of course, Professor Lowe would *like* as many people as possible to adopt his goals themselves in a voluntary or at least quasi-voluntary manner. Hence his eagerness for massive propaganda efforts by the government and its political economists to "educate" the citizenry to support the goals of their rulers. But should such "manipulation"—a term conceded by Professor Lowe—fail, as in many cases it must, then the government must move on to frankly coercive measures. As Professor Lowe puts it, "So long as they have not conquered public opinion, such goals can be accomplished only if the sponsoring minority [his "political economists"] succeeds in imposing its will on an antagonistic majority." Of course, this elitist coercion is purely for the "good" of the coerced: "an enlightened minority perceives as a long-term necessity what to a majority, blinded by short-term concerns, appears as a violation of its interests" (pp. 191–92).

Ever since the days of the classical economists, the advocates of dictatorial statism have run up against the rock of economic law. This is not simply because the bulk of economists have been committed to economic freedom and the decentralized decision-making of the market, but because economists have shown that government interventionism and full-scale socialist planning simply do not work, that is, do not achieve the stated goals of the rulers themselves. Hence the necessity for statists to deny the existence of economic law. Professor Lowe continues in this tradition. Hence his need to create a methodology of economics which rejects the two major methodologies of modern economics: the "praxeology" of the Austrian school, and the positivism of the currently dominant Anglo-American orthodoxy, both of which arrive in variant ways at a structure of economic law. Lowe's "instrumental" methodology simply denies economics and relies solely on (a) arbitrary goals imposed by the political economists and other rulers; and (b) on "technology," which offers a purely technological guide to the achievement of these goals. Hence we are back in a form of Veblenian "technocracy," with economics discarded altogether. And yet, pure technology can offer no guide to the opportunity costs that must be weighed in any sort of rational allocation of economic resources; for this, a relatively free price system must be allowed to function along with its corollary of private ownership and freedom of exchange of ownership titles to resources. There is no hint of recognition by Professor Lowe that the socialist countries of Eastern Europe, led by Yugoslavia, have found it necessary to abandon socialist central planning and to move rapidly in the direction of a free-market economy, with its price system, decentralized decision-making and planning, and profit-and-loss tests for the allocation of resources.

Professor Lowe's political economics is of a piece with an unfortunate penchant of intellectuals since the days of Plato: to impose their own arbitrary and static "order" upon the rest of society, to freeze and annul change by their coercive fiat and to exert power over the rest of mankind. As a corollary, the structure of reality as embodied in economic law must be ignored and denied in order to make the vain attempt to enforce the whims and wishes of the intellectual upon the rest of mankind. The structure of reality must be ignored in order to try to impose the whims of the intellectual upon the world. In this attempt, the intellectual and the political ruler are closely allied. As the economist Ludwig von Mises has stated:

> It is impossible to understand the history of economic thought if one does not pay attention to the fact that economics as such is a challenge to the conceit of those in power. . . . The laws of the universe about which physics, biology, and praxeology [economics] provide knowledge are independent of the human will, they are primary ontological facts rigidly restricting man's power to act. . . . Only the insane venture to disregard physical and biological laws. But it is quite common to disdain economic laws. Rulers do not like to admit that their power is restricted by any laws other than those of physics and biology. They never ascribe their failures and frustrations of the violation of economic law.[1]

Apart from the central issue of Adolph Lowe's political economics, there are important tangential questions which the book raises, though usually inadvertently. There is, for example, Professor Lowe's passion for "predictability," a passion which leads him to advocate governmental coercion to *make* people act in predictable ways. Much of this stems from a grave misunderstanding that economists and other social scientists have fallen on the notion that "science means prediction." For the "prediction" that the physical scientist makes in enunciating his physical laws is totally different from the "prediction" that economists have been indulging in. The scientist's predictions are of the form "If A, then B"; if copper and sulfur are mixed in certain proportions, they will yield copper sulfate. But the scientist is not a soothsayer engaged in "predicting" or foretelling the future: he never presumes to predict *how many* of his fellows, for example, will be making copper sulfate in their laboratories over the next year. And yet this is precisely the totally unscientific trap that economists have fallen into; instead of confining themselves to the scientific "prediction," "if A, then B," they are presuming to forecast the future. It is no wonder that, as Victor Zarnowitz and others have shown, the record of econometric forecasting, despite the use of the most sophisticated models and computers, has been so dismal—indeed, has been worse than simple extrapolation of trend, of even such a relatively simple forecast as predicting GNP for the next quarter. So long as men have free will and change their values and choices, and so long as knowledge changes and accumulates, scientific forecasting of the future will be impossible. Professor Lowe, entranced by the erroneous view of predictability, rightly sees that econometric forecasting has been a failure; but instead of concluding from this that economic

[1] Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), pp. 67, 755–56.

science should be recast into a qualitative and "praxeological" mold, he presumes to abandon economics altogether and to turn to the secular arm to *force* people to act in predictable ways.

John Jewkes has aptly written that "the economist's claim to predictive authority must be false in that it leads to a palpable absurdity. If the economic future can, indeed, be described, why not also the scientific future, the political future, the social future, the future in each and every sense? Why should we not be able to plumb the mysteries of future time?"[2] And Professor Peter T. Bauer has written wittily and trenchantly comparing the contemporary mania for forecasting with the upsurge in credulity and belief in oracles and soothsayers during the years of decline of the Roman Empire.[3]

There *is* one group of people in society who are skilled in forecasting aspects of the future, and they do it far better than economists or politicians. These are the entrepreneurs and speculators: the entrepreneur who estimates his future costs and revenues; the speculator who tries to estimate the future course of stock or commodity prices. For forecasting is not and cannot be a science; at best it is an art, and the best such "artists" are those who have a "feel" for the conditions of their particular markets. There is a process of natural selection on the market which brings the better forecasters to the fore and discourages the poorer ones: the making of profits and capital gains and the suffering of losses. The poor forecaster on the commodity or stock markets will not last long in his chosen occupation. Yet it is precisely these superior forecasters on the market whom Professor Lowe finds to be harbingers of "disorder."

There is another fundamental flaw in Lowe's turning to government to insure predictability. What makes him believe that the actions of *government* are more predictable than the actions of individuals on the market! The latter are at least disciplined by the test of profit and loss. The former have no discipline exerted upon them whatsoever. Indeed,

[2]John Jewkes, "The Economist and Economic Change," in *Economics and Public Policy* (Washington, D.C.: Brookings Institute, 1955), p. 83.

[3]Peter T. Bauer, *Economic Analysis and Policy in Underdeveloped Countries* (Raleigh, N.C.: Duke University Press, 1957), p. 30.

ever since the vagaries and whims of statutory law and executive edict have replaced the far more predictable rules of the common law, government action has been notoriously fickle and free-wheeling, and hence particularly unpredictable. In the jostle and bustle of ever-changing pressures and political influence-seeking by organized pressure groups, there is not even a profit-and-loss restraint to keep government within definable bounds. (The American Constitution has long ceased to serve as any sort of definable limit, particularly on economic questions.) Furthermore, as far as forecasting goes, the American government has had a notoriously poor record even in predicting its *own* expenditures for the next fiscal year, let alone the remainder of the economic system.

Finally, on what basis does Professor Lowe hold it self-evidently desirable to have complete predictability? Such predictability would only be possible if men were will-less, robots and automatons; since they are not, their actions will ever be gloriously free from perfect predictability. Would we really have a better world if they were reduced to automatons, even if this anti-human act could be accomplished? But of course, as in all variants of philosophical determinism, the determinist himself and his colleagues have prepared for themselves an implicit escape valve. *Other* people will be coerced and rendered predictable; *other* people will be manipulated or forced into being automatons; while Professor Lowe and his political-economist colleagues will have the free will to impose their own conception of economic and social goals.

Another important question raised, but hardly satisfactorily treated by this book, is the entire problem of the relation of the scientific economist to public policy. On what basis can the scientific economist advocate goals, or indeed, endorse any public policy whatever? None of the authors comes to grips with this question. Most, such as Professor Lowe and his self-proclaimed follower in economics, Carl Kaysen, simply and lightheartedly assert that the economist must be an activist in pushing for, advocating and even enforcing his own goals and his own political prescriptions. Even Fritz Machlup, of all the contributors the only one to point out, albeit mildly and tangentially, the authoritarian implications of Lowe's position, concedes that the economist must advocate goals and policies.

Machlup, for example, scorns the "purists among us [who] may cry, 'Unclean! Unclean!' whenever they see a piece of welfare analysis" (p. 124). But this misses the vital point. No "purist," and certainly not the present reviewer, would try to bar any economist from ever advocating any public policy. But what he *would say*, and insist upon strenuously, is that it is totally illegitimate for economists, including Lowe, the other contributors and the great bulk of the economics profession, to advocate any public policy or to express any value judgments whatever in an *ad hoc*, arbitrary and offhand manner. To put it more explicitly, if an economist offers a value judgment or advocates policy, it is incumbent upon him to offer, stand upon and defend an *ethical* system from which the judgment or policy can be deduced. Anything less is arbitrary, unscientific and illegitimate, and simply amounts to the arbitrary imposition of an economist's personal set of values upon society. In that case, the economist simply becomes a propagandist, not of a defensible ethical system, but of his own unsupported caprice. (This position, of course, itself stems from an ethical system which condemns capricious social judgments.)

Let us illustrate by postulating a "political economist" with a very different set of values from those held by Professor Lowe. He lives in an unspecified underdeveloped country and he sees that a certain ethnic group, say the Lebanese, have risen to important entrepreneurial positions in that economy. In the course of his discussion, he offhandedly asserts that it is necessary to place special taxes, burdens, and so on, on the Lebanese in order to reduce their weight in the economy and in society. And then he goes on to other matters. Here he has, as a good "political economist" or "welfare economist," imposed his own set of goals, *ad hoc* and unanalyzed, as if they were self-evident and needed no groundwork in an ethical system. In this case we would surely respond that our economist's value lucubrations were not enough: that he has the responsibility of offering a defensible ethical system which would support the placing of special burdens upon the Lebanese ethnic group. But if that is true in this case, it is true in all; whenever an economist ventures into the realm of political ethics, he must support his viewpoint coherently and systematically. Yet this procedure is all too rare among economists today.

Just a few more *curiosa* need to be mentioned. The extent of Professor Lowe's grasp of elementary economics can be gauged from one of his examples of the alleged growing divergence of economic behavior from classical maxims: "nowadays, rising prices are often accompanied by rising demand and falling prices, rather than by the 'correct' response of falling demand and rising prices" (p. 13). Charitably setting aside the "falling prices" phrase as a typographical error, we are still forced to the conclusion that Professor Lowe cannot distinguish between shifts in the demand curve and movement along the curve, the *pons asinorum* of freshman economics.

Then there is the anomaly of Professor Gurwitsch's contribution. Gurwitsch, a philosopher of the New School, restates Lowe's position with far greater clarity than Lowe himself is able to muster. But he does so while claiming to base his position on the work of the late Alfred Schütz, the phenomenological sociologist at the New School. Yet there is not a hint in Gurwitsch's article of the fact, evident in Schütz's brilliant *Phenomenology of the Social World*[4] of Schütz's closeness to the methodological and sociological views of Ludwig von Mises, the founder of praxeological economics and champion of *laissez-faire*. Mises's views are at the polar opposite from those of Adolph Lowe, and certainly some attempt should have been made by Gurwitsch to clear up this anomaly.

Finally, there is the contribution of economist Carl Kaysen. Remarkably, Lowe embraces Kaysen's article even though Kaysen makes not a single reference to the various methodological issues with which Lowe or the other commentators are concerned. Clearly, the affinity is simply ideological, for Kaysen's essay is essentially a list of the government controls that Kaysen would like to see placed upon the economy. Perhaps the most remarkable is Kaysen's willingness to embrace a policy of extensive monetary and fiscal inflation coupled with direct price and wage controls "to repress inflation," and to do this *solely* to reduce negro unemployment to zero. Apart from the questionable ethics of imposing meat-axe burdens on the bulk of the

[4] Alfred Schütz, *Phenomenology of the Social World* (Evanstan, Ill.: Northwestern University Press, 1967).

population in order to benefit a minority, there is not a hint in Kaysen of even the possibility of arriving at the same goal by what is, at the very least, the more efficient approach of lowering or eliminating minimum wage rates, union restrictions or welfare payments.

There is no more apt conclusion to a review of this book than to repeat the quote from Frank H. Knight which Fritz Machlup puts into a footnote in his contribution:

> In the field of social policy, the pernicious notion of instrumentalism . . . is actually one of the most serious of the sources of danger which threaten destruction to the values of what we have called civilization. Any such conception as social engineering or social technology has meaning only in relation to the activities of a super-dictatorship, a government which would own as well as rule society at large, and would use it for the purposes of the governors. (p. 128n)