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Retrospect and Prospect

One of Professor Hayek's most renowned essays is titled "Why I Am Not a Conservative." I am tempted to emulate Hayek here and entitle this postscript essay, "Why I Am Not an Economist." To anyone who reads the methodological urgings contained in the essays of this volume, written over almost two decades, and who simultaneously looks at what passes for "economics" in the professional journals of 1980, there is only one evident conclusion. The author of the essays is almost the only one in step or else he writes under some delusion that he is something that he is not.

If not an economist, what am I? An outdated freak whose functional role in the general scheme of things has passed into history? Perhaps I should accept such an assessment, retire gracefully, and, with alcoholic breath, hoe my cabbages. Perhaps I could do so if the modern technicians had indeed produced "better" economic mousetraps. Instead of evidence of progress, however, I see a continuing erosion of the intellectual (and social) capital that was accumulated by "political economy" in its finest hours. I look at young colleagues trained to master regression routines who are totally uninterested in, and incompetent to examine, elementary economic propositions. The graduate schools at-

tract and turn out dullards, and the exciting young minds turn increasingly to law, to philosophy, and to the commune. For those among these minds that are trapped into economics and that may, with effort, partially finesse the empiricist rage, I see them compelled to utilize their considerable mental potentials resolving the escapist puzzles of modern mathematics.

It is precisely because the discipline of economics, as practiced, seems so bad and to be getting worse, that I find continued interest and challenge in pursuing what some might think a hopeless cause. But Frank Knight comes to my rescue here as elsewhere when I recall his equation—to call a situation hopeless is the same as to call it ideal. Ideal things are not. And with hope for improvement, fun remains in the game.

In this postscript essay, my best procedure would seem to be to take stock and to reiterate, I hope with variety, some of the central themes developed in the earlier pieces, and, in particular, to suggest possible directions that seem ripe for further inquiry. I propose to do this through a series of cryptic statements or assertions, each one of which is followed by only a brief explanatory discussion. My purpose is to challenge thought, not to convince by argument.

1. *Economics is a very peculiar "science."* As previously noted, there is a "science" of economics, but it bears little or no similarity to the physical-biological sciences, as the latter are normally conceived. Economics is "predictive" in a totally different sense, and the indirect implications for "control" are not comparable. The problems in economics are not amenable to scientific solutions, and progress is not to be expected by pushing back the frontiers of science. The

strictures of both Frank Knight and F. A. Hayek against scientism require continued repetition.

2. *Economics is about choice.* If economics were scientific in the strict predictive sense, it could not be concerned with choice at all, as G. L. S. Shackle should have taught us all. Choice is necessarily made among imagined "possibles," and choice-making under certainty becomes internally contradictory. The equilibrium constructions are useful only if their limitations are appreciated. These allow us to discuss directions of adjustment rather than states of potential attainability.

3. *Economics involves actors.* Without actors, there is no play. This truism has been overlooked by modern economists whose universe is peopled with passive responders to stimuli. If all are price-takers, who sets price? If all behavior is rationally responsive, how can change occur? How can entrepreneurship be modeled? Increasingly, I have come to the view that the role of entrepreneurship has been the most neglected area of economic inquiry, with significant normative implications for the general understanding of how the whole economy works.

4. *Economics is about arbitrage.* The behavioral paradigm central to economics is that of the trader whose Smithian propensity to truck and barter locates and creates opportunities for mutual gains. This paradigm is contrasted with that of the maximizing engineer who allocates scarce resources among alternatives. As several of the essays in this volume have suggested, the maximization paradigm is the fatal methodological flaw in modern economics.

5. *Economics is about a game within rules.* Choices are made by actors, by traders, constrained within specifically

determined "laws and institutions," a central emphasis of Adam Smith and one that has been lost to modern minds. Institutions matter. The libertarian anarchists who dream of markets without states are romantic fools, who have read neither Hobbes nor history.

6. *Economics is political.* Choices are also made among rules and sets of rules. The "social contract" also offers mutuality of gains, and indeed, the "social miracle" must remain central to man's consciousness. Passive acquiescence in the developing events of history, by scholars and non-scholars, must produce the natural reversion to the jungle.

7. *Economics has a didactic role.* As a discipline or area of inquiry, economics has social value in offering an understanding of the principle of order emergent from decentralized processes, of spontaneous coordination. (The market is the classic example.) Such an understanding is necessarily prior to an informed decision on alternative forms of social order, or even on alternative directions of marginal extension. The principle of order that economics teaches is in no way "natural" to the human mind which, in innocence, is biased toward simplistic collectivism.

8. *Economics is elementary.* Finally, and despite the attempts by modern scholars to cloak their own insecurity in complexity, the central principles of economics are elementary. We do not need the excess baggage of modern mathematics to grasp and to convey the basic wisdom that Adam Smith discovered and that his successors emphasized.

So much for a cryptic but serious listing of my own ABCs of economic method, circa 1980. In one way or another, each of the statements finds a reasoned defense in one or more of the main essays in this book.

I stated earlier that there is hope for improvement in economics, despite the downhill slide that I attributed to the discipline. Let me end this postscript by noting a few encouraging signs. Theorists are asking who sets prices. Theorists are beginning to evaluate alternative institutional structures. Economists are increasingly coming to accept the notion that law and the structure of rights can have consequences. Work proceeds apace on the analysis and evaluation of governmental structures. Any public-sector, private-sector decision made in 1980 must be much better informed than one made in, say, 1960. Entrepreneurship is on the verge of becoming something again worthy of economists' attention. The false objectivity of choice alternatives is beginning to look very frayed around the edges. Subjectivist economics has become respectable after a long time in the wilderness. The analysis of choices among rules, as contrasted to choices within rules, has come to command increasing attention, not only in the constitutional-post-constitutional distinctions in public choice and in Rawlsian political philosophy, but also in the newer examination of individual self-control. Attention is being paid to the relevance and importance of economic perception.

As I list these hopeful signs of change, of stirrings in the discipline, broadly defined, I may seem to contradict my earlier diagnosis of doom and gloom. This reading is valid only in part. The signs of constructive change that I have listed immediately above are outside the mainstream interests of the profession, and they will likely remain so for at least a decade. Nonetheless, I keep the faith, and there is some prospect that the economics of 2000 will be judged better than that of 1980, and by my standards.