
Reflections

What Happens When the Economic Past Is Left to the Kindness of Its Enemies?

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Frédéric Bastiat once wrote that we should never fear an artful critique of our position but always fear an inept defense. It is our responsibility to be the best scholars and teachers of classical liberal political economy that we can be—to think, speak, and write clearly and to tackle tough questions to take on, in the most rigorous and sophisticated way possible, the popular fallacies of our age that tend to cut against the argument for a society of free and responsible individuals.

With this task in mind, I want to examine the dilemma of our day in carrying out that task. There is, I contend, an intellectual crisis in both the fields of intellectual history and the discipline of history more generally. It is a crisis regarding the status of truth seeking in these disciplines. A new generation of critical theorists seek to poke holes in the history of economic theory and liberal political economy and to demonstrate the inherent inefficiency, instability, and immorality of the capitalist system. I argue that economic approaches that are not rooted in the Misesian and Hayekian economic way of thinking are decidedly ill equipped to face these new challenges. They instead lead to the abandoning of the disciplines of history and intellectual history. If we economists

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abandon history—in both senses—we leave our past to the kindness of our enemies.¹ This is an extremely vulnerable position to find ourselves.

What is truth in the social sciences and humanities? During the 1970s and 1980s, as the positivist philosophical program came under increasing scrutiny, among the postpositivist positions articulated was postmodernism, and among postmodernists were critical theorists and deconstructivists. It is one thing to claim that social scientists cannot hermetically seal themselves off from ethical values and various biases to pursue purely objective analysis, but it is quite another thing to claim that this means that the entire enterprise of “objective” analysis is a sham. To say knowledge of the social world—and knowledge of our efforts to understand the social world—is embedded in an intricate matrix of values, social meanings, and contextualization does not imply that there are no basic facts of the situation or that there are no ways to adjudicate between competing explanations or theoretical frameworks. Of course, facts do not speak for themselves, and thus all knowledge of the social world demands *contextualization* and recognition of its *social construction*. But not all interpretations of events are equally grounded, and not all arguments are equally valid. Progress in the social sciences and humanities can be made.

Most economists are trained to avoid such murky epistemological waters. But even in their practice they don't. Rather, they just avoid recognizing that they are drowning in them. The claim that if something is important we must measure it bleeds too quickly into the claim that whatever we can measure, we should say is important. It is not! Now is not the time to discuss in any detail the various shortcomings of the empirical project in the social sciences except to note that the substitution of sophisticated statistical analysis for more narrative history does not solve the problems that have plagued social science and history since their very beginning. The only way to “solve” these problems is to recognize them and to embrace multiple forms of evidence and multiple methods of analysis. However, many economic historians argue that this is precisely not the way to solve these problems. They instead insist we must simply count, count correctly and thoroughly. Let me be clear that nobody should be against counting. In fact, counting can fix much confusion in social sciences and history. When Friedrich Hayek edited *Capitalism and the Historians* (1954), basic counting was used to challenge the prevailing opinions about the immiseration of the working class during the Industrial Revolution. And more recently Deirdre McCloskey's (2006, 2010, 2016) history of the

1. I owe the recognition of this basic dilemma that economists face to my colleague David Levy. A classic example is *How the Dismal Science Got Its Name* (Levy 2002). Most commentaries uninformed about the economic content of the disputes of the time believe the name “the dismal science” derives from some Malthusian observation or the disciplinary insistence on scarcity and constraints. But Thomas Carlyle and his literary cohort were attacking classical economists for their analytical egalitarianism and their refusal to accept a natural hierarchy of mankind. It was the classical economists, Levy documents, who opposed the institution of slavery and argued that the Irish were not inherently inferior to the English. Thus, if we economists abandon our history, we let others who are either unaware or unwilling tackle the arguments that were made by economists in the time being discussed. These others read back into the past only the discourse that they are most familiar with and that fits most comfortably into their ideological priors.

Great Enrichment stresses that you cannot answer empirical questions philosophically. She insists we have to count when doing responsible history. But she is still doing history.

In a recent paper, Robert Margo (2017) explores the place of economic historians within the economics profession over the past generation. He finds that economic historians looked in their work more and more like economists and less like historians. In other words, if you pick up an article in the *Journal of Economic History* and compare it to an article in the *Journal of Political Economy*, what do you see in terms of words, formulas, tables, and charts? By Margo's measure, over the past twenty years the form and substance of articles in the *Journal of Economic History* and the *Journal of Political Economy* have become increasingly indistinguishable from each other. Economists count, and economic historians count; the latter don't read as much as they once did, they don't contextualize as was once expected, and they certainly don't look for meanings associated with the human condition historically contemplated. Economic historians in essence have ceded history to the historians; they do economics but by counting and calculating with data from the deeper past rather than from the more recent past or present. But let's not get confused. These economic historians are economists, and thus they approach their research in the same way and produce results that look the same as their fellow economists. Margo argues that this integration of economic historians into economics has brought them tangible benefits—because economists have better employment opportunities and higher compensation. He is, of course, right on this last point. But what happens if economic historians abandon *history*?

We already know the answer—we get new histories of capitalism that focus on exploitation of man, monopoly power, alienation, and periodic crises. Capitalism is plagued by inefficiency, suffers instability, and is characterized by injustice (see, e.g., Beckert 2015). Effectively addressing these arguments requires more than counting. It is important to remember that there is a world of difference between being heard and being listened to. So in the exchange between historians of capitalism and economic historians of capitalism, insisting on counting by the economists while ignoring all other issues—including problems with power, politics, culture, and the long shadow of past imperfections—means one might be heard but not listened to, but moving the intellectual climate of opinion requires both. Counting, in other words, is a necessary but insufficient component to the explanation of capitalism.

History is more than counting. It requires contextualization and comparative analysis, and to do these things sound economic theory is critical. Enter once again Ludwig von Mises's *Theory and History* (1957)—economists need to be *economists*, not mathematicians and statisticians, in order to do economic *history*. The problem with the contemporary histories of capitalism is weak theory more so than innumeracy, though innumeracy doesn't help. Too many historians of capitalism argue that the legacy of slavery and colonization benefited the West and ignore trade, technological innovation, and entrepreneurial creativity. They see the world in negative-sum terms and often

misunderstand the institutional preconditions for realizing productive specialization and peaceful social cooperation among diverse and often distant people. In short, they have a bad theory of economic development and of the role that a private-property market economy plays in that process of material progress. Deirdre McCloskey refers to economic development as “trade-tested betterment” (2016, xiii), and much of the modern history of capitalism is allergic to this way of thinking. History is too important to be left to the “historians.” I am arguing that this bad intellectual state of history is a consequence of economists abandoning economic history as well as the intellectual history of classical and modern political economy and economics to their intellectual enemies.

However, the problem that must be addressed isn’t limited to bad history. The intellectual history of economics is also experiencing its own crisis. Reading the history of economic theory can be divided into at least three broad approaches: (1) internal logic of arguments in texts, (2) ideas in context, and (3) hermeneutics of suspicion. Other fine distinctions can be introduced, such as Whig, contra-Whig, antiquarian, and instrumental (see Boettke 2000). The classic task for economists from prior to Adam Smith until the post–World War II era was to engage in close textual readings of arguments, to assess the strengths and weaknesses of different arguments on their own internal consistencies, to engage in comparative analysis with other arguments, and to engage in correspondence with the issues in the world that the theories were being developed to address. During its first 150 years, economics evolved as a philosophical subject. During the past 70 years, economics has shifted from being a philosophical science to a mathematical and statistical science. The transformation of economics can actually be traced to the turn of the twentieth century, but it was not completely accomplished until after World War II—prior to that, the more philosophical thinkers existed side by side with the more scientific thinkers in the elite corners of the profession. Amartya Sen argued in *On Ethics and Economics* (1987) that economics as a discipline exists on an intellectual production possibility frontier between economics as a moral science and economics as social engineering. Because Sen was interested in reintroducing ethical discourse back into economics, he argued that the economics profession was operating in the corner solution of social engineering, and it was time for the profession to trade off and move back toward moral sciences. Of course, he didn’t advocate a corner solution in that direction either, just significant movement back toward political economy and social philosophy.

Studying the shifting intellectual landscape of economics is the task of historians of economics. The exercise of intellectual history in political economy and economics improved when close textual reading was complimented by contextualization in the same way that our understanding of the evolution of ideas improved when political theory was contextualized with the Cambridge School of intellectual history. Scholars and scientists do not work in a vacuum but instead always within an intellectual, organizational, social, and cultural context. Ideas are not necessarily context dependent,

but the way ideas are communicated, which ideas coalesce into a consensus, and which ones get cast aside are context dependent. This is why the evolution of ideas is never smooth but always full of fascinating twists and turns defined by missteps, wrong turns, and the continual reevaluation of arguments. Thus, the potency of the contra-Whig position in intellectual history. The Whig tradition of intellectual history argues that all that is good in the ancients is embodied already in the moderns, so there is not much value besides antiquarian tastes in reading Adam Smith or David Ricardo or John Stuart Mill.² But what if due to the misallocation of intellectual resources that results from fads and fashions in science, there are ideas from the past that have not exhausted their evolutionary potential? If this is the case, then ideas from an older thinker can remain part of our extended present and could in fact be a vital input into contemporary theory construction.

This disruptive and disjointed evolution of ideas becomes even more fascinating for economists when we place ourselves in the model of intellectual development. The economics of economics or, more broadly, the sociology of science matters. In one sense, it is a natural outgrowth of putting ideas in context, but in another way it opens up other avenues of research and exploration. We can study the incentive structures of science and scholarship, including how professional activities in any discipline are organized. Funding, positions, and prestige must be addressed alongside the assessment of ideas and their application to the world of affairs. Again, our understanding of the process of scientific advancement is improved when we explore the “organization of inquiry.” But here is a critical point to remember about an economics of economics: to be effective it has to be grounded in sound economic theory. Sound economics doesn’t focus our attention on matters of personal psychology and strict adherence to preference- and motivation-based explanations. The focus of attention should instead be on the systemic incentives that alternative institutional arrangements produce in commercial and noncommercial life, including science and scholarship. In an analysis so pursued, the advancement of science and the tracking of truth depends not on the individual motives of those involved, but on the institutional incentives and the ability of the organization of inquiry to produce a constructive conversation in which views are subject to continual contestation.

The honorable tradition of liberal political economy sought first and foremost to explore the technical principles necessary to understanding how alternative institutional arrangements affect our ability to realize productive specialization and peaceful social cooperation. In developing this line of thinking, political economists adopted a sort of analytical egalitarianism—a basic behavioral symmetry. People are people, my mom used to say, but so did my teachers James Buchanan and Gordon Tullock. Same players,

2. The classic statement of Whig history of economic thought is by George Stigler in “Does Economics Have a Useful Past?” (1969). In 1976, Donald McCloskey asked, “Does the past have useful economics?” Part of my purpose here is to recommend that our contemporary situation demands that we reexamine these questions and reengage the interrelationship between theory and history in our study of the past and the present.

different rules result in different games.³ The critical point to take away from economics is that its explanatory thrust is to be found in institutional variation, not in behavioral differences among people. Methodologically and analytically, the question then becomes how best to study institutional variation.

But isn't it easier to focus on behavioral differences? Bad people do bad things. Stupid people do stupid things. We want to avoid bad and stupid people and trust in good and smart people. Such a perspective is problematic on many levels. But for our purposes here, let's state that once we move away from institutional variation and instead look for explanations in differences among people, we invite the caricature that we sort individuals into (*a*) those who are stupid, (*b*) those who are evil, and (*c*) those who are good, smart, and agree with me. Such a division doesn't result in learning and, when taken to its limits, destroys trust among scholars in the quest for human understanding.

The real problem with preference-based and motivation-inferring explanations of intellectual history, as opposed to close textual exegesis and the attempt to place ideas in their historical, philosophical, and cultural context, is that personal psychology of ideas comes to be stressed rather than an assessment of arguments and adjudication of evidence for positions. Not only is personal psychology stressed, but judgment is also passed on the motives inferred (often never proven because it is often impossible to do so). So the hermeneutics of suspicion questions not arguments and evidence. And in much of the literature on neoliberalism, such as the work on Milton Friedman, F. A. Hayek, James Buchanan, and the legacy of the Mont Pelerin Society, the logic of their arguments is ignored, the empirical evidence related to their arguments is unexamined, but the supposed financial motivations and "will to power" take center stage, and intellectual positions are tied to remote political realities such as Chile or the global financial crisis.

This is our current intellectual climate. The history of capitalism by historians has resurrected arguments that were effectively challenged in works from Hayek's *Capitalism and the Historians* (1954) to L. E. Birdzell and Nathan Rosenberg's *How the West Grew Rich* (1987) and of course the monumental trilogy by Deirdre McCloskey (2006, 2010, 2016) on the Bourgeois Era. The history of neoliberal thought and economics in general suggests that these theories and approaches didn't emerge in "the clash of economic ideas," as Lawrence White (2012) so brilliantly demonstrates, but instead through manipulation of the scientific process with unjustified positions of power in intellectual affairs obtained through the unwarranted intrusion of funding sources that have corrupted science. *The Merchants of Doubt* (Oreskes and Conway 2011) style of argument isn't limited to nuclear power, tobacco, and climate change but

3. See the first chapter in the "primer in public choice" *Government Failure* ([2002] 2005), by Gordon Tullock, Arthur Seldon, and Gordon Brady. Chapter 1 is titled "People Are People: Elements of Public Choice Theory." Also see Buchanan's essay "Same Players, Different Game: How Better Rules Makes Better Politics" (2008).

now spreads to the new learning in Chicago price theory and industrial organization, monetarism and macroeconomic policy, public choice and constitutional political economy, and Austrian economics and libertarianism. The *House of Cards* conspiratorial style of “storytelling” about intellectual history identifies “evil geniuses” who devise “master plans” and find the funding from “dark money.” Along the way, they not only have absconded with prestigious academic positions that are well funded and lead to Nobel Prizes but have also ruined national economies and destroyed the hopes and dreams of the average individual, not to mention oppressing their opponents.

These works, whether we are talking about the ones by Philip Mirowski and Dieter Plehwe (2009) or Avner Offer and Gabriel Soderberg (2016) or Nancy MacLean (2017), are easy reading. The story flows easily from their pens. These works are entertaining narratives about the intellectual world in the same way that watching Frank Underwood manipulate the politics of D.C. to rise to the presidency in the Netflix series *House of Cards* (2013–) is entertaining. But just as *House of Cards* does not portray political reality accurately—it is *not* a public-choice analysis of democratic processes—the critiques of the “neoliberal thought collective” fall short of accuracy. As Michael Munger (2008, 2015, 2018) said of one of these works, it exalts “truthiness” over truth. The ability to dismiss rather than having to provide counterarguments was and is just too attractive among a certain group of progressive intellectuals who have been challenged by the developments in economic theory associated with the Austrian, Chicago, University of California at Los Angeles, and Virginia Schools. These developments effectively poked holes in the Keynesian consensus in the decades following World War II through a rejuvenated microeconomics and challenged the hegemony of macroeconomics by the innovative development of property-right economics, public-choice economics, law and economics, and market-process economics. If these progressive intellectuals can discredit and delegitimize such arguments, why would they need to address them? Again, Frank Underwood has no legitimate claim to the office, right?

Rather than end on a note of scolding those I disagree with about the intellectual descent into an unproductive hermeneutics of suspicion, I want to warn us—classical liberal scholars and intellectuals—about wandering onto a similar path. There is an allure, after all, to those ideological blinders, but it is a tragedy whenever we are seduced to pursue narratives that exhibit only truthiness at the expense of truth tracking. We must always remember Bastiat’s dictum—never fear an artful criticism but always fear an inept defense. Nothing worse, Bastiat warns, could happen to a good cause. True liberalism is a good cause.

My reflections are written to honor the memory of Leonard Liggio. A key to Leonard’s approach to history and intellectual history was no doubt the story of liberty versus power, but Leonard didn’t take the easy way out. He didn’t argue that the economics profession, for example, was plagued by corruption and confusion due to major funding by those in political power. Austrian economics faced barriers, but Leonard Liggio’s argument was directed to aspiring professors: face those barriers head

on and just do better work—work that others in the profession will have to pay attention to and work that tracks truth. Never settle for comfortable “truthiness” that fits with your ideological priors. So, yes, we should acknowledge that when we put economists in the model of economics itself, the structure of incentives within the organization of inquiry does matter. But that acknowledgment doesn’t exhaust the narrative we tell; it is just one component. Our primary focus begins with the most charitable interpretation of arguments, a close and critical examination of the arguments, and a careful weighing of the evidence. As I said, Leonard taught us all to be better and to stress *scholarship*, to find common ground with other scholars *left and right*, and to practice *praxeology* to the high standard set by Mises, Hayek, Kirzner, and others in our quest to understand the human condition. To do that, we must recognize the tragedy that results when ideological blinders block scholarship and our continual learning. Let’s live up to the standard Leonard set as a life-long learner and follow his lead in how he encouraged us to pursue and produce scholarship of impact, be teachers who excite, and be mentors who connect to a growing intellectual network.

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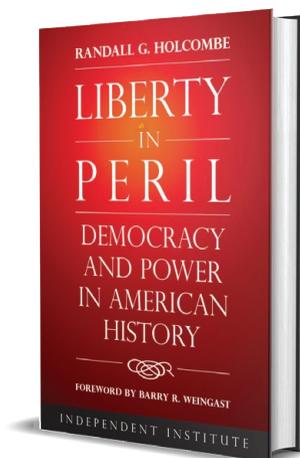
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