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First, Kill the Economists

(A review of Stephen A. Marglin's *The Dismal Science: How Thinking Like an Economist Undermines Community*)

by

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The prophet Jeremiah is alive and well and teaching economics at Harvard. It is not often that a scholar with no particular historical or philosophical expertise trashes the Western enlightenment in order to stomp on the discipline of economics as a manifestation of all that was lost in creating the modern world.

Stephen A. Marglin's argument is that economics, with its focus on an individual's preferences, freedom to engage in activities to promote his or her well-being, and on the pursuit of self-interest variously construed, perverts a natural moral order: "Economics is intimately connected to modernity; the foundational assumptions of economics are in my view simply the tacit assumptions of modernity. The centerpiece in both is the rational, calculating, self-interested individual with unlimited wants for whom society is the nation-state." (36) And what modernity shunned was "community".

His main line is that "The market undermines community because it replaces personal ties of economic necessity by impersonal market transactions...the foundations of economics are not universal rules about human nature, but implicit assumptions of modernity. The ambivalent relationship between non economists and economics reflects the ambivalence with which modernity is regarded." (56) To be sure, sociologists deal with community, as do anthropologists, as do political scientists and so on. But economics, for Marglin, is different: "Economics is not only descriptive; it is not only evaluative; it is at the same time constructive – economists seek to fashion a world in the image of economic theory." (3) Economics, and thinking like an economist, is bad for the health of the world. Indeed, he closes his volume stating that "There are many ways of resolving the tensions between individualism and holism, between self-interest and obligation to others, between algorithm and experience, between the claims of various communities on our allegiance, between material prosperity and spiritual health. Economics offers one way, but as presently constituted, economics is hobbled by an ideology in which these tensions are replaced by a set of pseudo-universals about human nature. A dismal science indeed." (263)

The argument about the proper way to do economics is an old one. I recently came across a complaint that the work of Malthus and Ricardo “had tended to lead the public far away from the true path of inquiry”, and made political economy “a hideous chain of paradoxes at apparent war with religion and humanity.” This appeared in 1832 in *The Eclectic Review*. In the last century or two we have heard this lamentation from time to time from both secular and religious figures although economists have wisely stood apart from trying to make the ocean’s waves stay still. Over the course of the nineteenth century economics was differently constructed in different places. In much of Europe what we now call economics developed in order to understand various matters of business law, contracts, taxation, international trade, and project management. Issues like tariff policy and currency management were discussed by individuals who were variously lawyers, engineers, politicians, managers, and business people, and training in such expertise developed *pari passu*.

The professionalization of economics was a late nineteenth century phenomenon. Cambridge’s Alfred Marshall, in attempting to construct a scientific economics, was not able to establish economics as a separate discipline until the death of Henry Sidgwick, the Professor of Moral Philosophy at Cambridge under whose direction lectures in political economy had been organized. In the United States at that time economics was growing from different sources. One stream followed from individuals who had obtained Ph.D.’s in Germany where social policy issues – labor unions, socialism, the nascent welfare state, etc. – were galvanizing the universities. But a second stream nurturing the American progressive economists grew from the Social Gospel movement which sought to promote the Kingdom of God on Earth through enlightened social policy, through the kind of market interventions that Adam Smith in fact quite welcomed.

The kind of economics from which Marglin recoils is however not of the sort that was present in writings of individuals (e.g. Smith, Ricardo, Mill, Marshall, Commons, etc.) who have been claimed as ancestors by modern economists, but which instead developed in the post World War II stabilization of economic discourse and the final professionalization of the discipline. It was in that post war period, not in “The Enlightenment”, that economic science became normal in Thomas Kuhn’s sense.

Marglin’s account appears seems confused by this history. Moreover he appears to believe that the ideas with which he engages and then casts aside – ideas about the economic agent, preferences, equilibrium, models, and markets – all grew up not in the twentieth century but rather hundreds of years earlier, and that those ideas have had stable meanings ever since: “For four hundred years, economists have been active in the enterprise of constructing the modern economy and society, both by legitimizing the market and by promoting the values, attitudes, and behaviors that make for economic success. No apology is due for this – except for the pretense of scientific detachment and neutrality and the unwillingness to confront the ideological beam in our collective eye.” (95) The a-historicity of such a statement is startling; for instance it assumes wrongly that there were individuals called economists four hundred years ago, and that science in 1600 meant the same thing as it does in 2008.

In his critique, Marglin moves back and forth between moralizing about the loss of community (“By promoting market relationships, economics undermines reciprocity, altruism, and mutual obligation, and therewith the necessity of community. The very foundations of economics, by justifying the expansion of markets, lead inexorably to the weakening of community” (27)) and contempt for the economists’ tools and models (“It is difficult to tell a plausible story of how individuals acquire meaningful preferences between consumption today and consumption a decade or two hence, in the way one can imagine learning about peaches today and pears tomorrow.” (120) But is not Marglin’s Harvard College teaching an instruction of the young designed to shape their preferences, especially preferences about long term versus short term goals?

From the first times economic arguments were parsed, and markets described, there were those who found both contemptible, and this was well before the enlightenment. Attacks on money lending at interest go back even earlier than Jesus on the Temple steps. Recall Aquinas’s ideas about the “just price.” One mustn’t forget Shakespeare’s Shylock, either. Tax collecting for kings and emperors requires economic management skills, but no one likes to pay taxes. A prize winning book by William Coleman called *Economics and its Enemies: Two Centuries of Anti-Economics* (New York: Palgrave Macmillan, 2002) shows how the very idea of “economics” was loathed by left, right, and center, Christian and Jew and anti-Semite, Pope and Communist Dictator, lawyer and business mogul, scientist and humanist, over the centuries.

In this same tradition of anti-economics, Marglin sees the future for economics as bleak: “The narrowing of the economic mind has approached its inevitable limit: the present generation of economic students, I fear, doesn’t even begin with large questions. Students eyes are focused on the prize of career advancement from the get-go, and large questions would only get in the way.” (x) And the problems that economics creates will only get worse, since “Globalization brings one new feature. The market, this book is argued, destroys community, leaving only the imagined community of the nation. Globalization takes the process the final step by putting even the national community at risk: what else does it mean that globalization is making national boundaries obsolete?” (254)

I note in closing that the lead blurb for this volume was provided by the noted economist and social theorist Bianca Jagger (sic). Whatever was Harvard University Press thinking?