



## The Embarrassment of Economics

Robert Heilbroner

To cite this article: Robert Heilbroner (1996) The Embarrassment of Economics, *Challenge*, 39:6, 46-49, DOI: [10.1080/05775132.1996.11471942](https://doi.org/10.1080/05775132.1996.11471942)

To link to this article: <https://doi.org/10.1080/05775132.1996.11471942>



Published online: 07 Oct 2015.



Submit your article to this journal [↗](#)



Article views: 4



Citing articles: 8 View citing articles [↗](#)

---

# The Embarrassment of Economics

Robert Heilbroner

*Is economics free of ideology? No, says this eminent economist and historian of economic thought. And it would be best if economists acknowledged it.*

ROBERT HEILBRONER is professor of economics at the New School for Social Research and co-author of *The Crisis of Vision in Modern Economic Thought*, with William Milberg. This is an edited version of remarks made at Harvard's Kennedy School of Government.

I am approaching an age that can be called venerable, a process over which I have no control but which allows me certain privileges, among them saying outrageous things. This, I must warn you, is an outrageous speech, all the more so because it is delivered in dead earnest, despite a certain flippancy that may intrude from time to time. The subject is the degeneration—I am tempted to say “degeneracy”—of economics, a social discipline I hold, or rather wish I could hold, in the highest regard.

Let me describe my own introduction to economics. I entered Harvard in 1936 (hence venerable) and took my first course in economics the following year. Our textbook was *Principles of Economics*, by Frederick Garver and Alvin Hansen (one of America's best-regarded economists). I should add that, although the Depression raged outside the classroom, it did not within the pages of this book. Published that year, only once did it mention the Depression. Without using the term “depression,” the text states that national income was estimated at \$80 billion in 1929 but had fallen to about \$40 billion by 1932. There

is no further mention of these facts, their cause, significance, or cure.

The following year I took a more advanced course in economics taught by Wassily Leontieff. Our textbook was by Alfred Marshall—not, alas, the appendices but the text. The following year my most important course was *Business Cycles*, given by Hansen himself, who turned out to be a remarkable man. Although Hansen had disagreed with John Maynard Keynes's *General Theory* when it was first published in the 1930s, he reconsidered, becoming Keynes's foremost disciple in the United States. In his Harvard course, we heard from a wide range of instructors, such as the Marxist Paul Sweezy and Edward Chamberlain (who invented monopolistic competition). This course was where I first encountered Joseph Alois Schumpeter, who plays a major role in what I am about to say.

Schumpeter arrived in his famous riding habit and great cloak, of which he divested himself in a grand gesture. He greeted us in a typically Schumpeterian way: “Gentlemen, a depression is for capitalism like a good, cold douche.” The remark shocked us for two reasons: First, was a de-

---

pression a good thing? Second, few of us knew that a *douche* was the European term for “shower.”

That was enough to put Schumpeter in my head, where he stayed for a long time. In 1942 I read his *Capitalism, Socialism, and Democracy*. I am sure many of you recall those wonderful introductory chapters in which he discusses Marx the Prophet, Marx the Sociologist, Marx the Economist, and finally Marx the Teacher. This introduction ends with Schumpeter paying his profound respects to Marx. Why? Because “stripped of the glitter of dubious gems,” Marx was a conservative and thus commands our respect. You think I jest. Look at the last paragraph of Chapter 4.

There are two other remarks that stayed in my mind. Part Two of the book begins “Can capitalism survive? No. I do not think it can.” Part Three begins “Can socialism work? Of course it can.” This explains why one of my first articles about Schumpeter was called “Was Schumpeter Right?” and begins with “No. I do not think he was.”

However, I have not yet revealed the crucial reason why Schumpeter has so influenced me, although not in a direction he would have approved of. In 1950 I was asked to review his magisterial *History of Economic Analysis*. There, toward the beginning, I discovered a section about ideology—the focus of this article. Ideology plays a role for Schumpeter of greater importance than for any economist of his generation or of our own. The section begins innocently enough by inquiring how social scientists think. Schumpeter arrives at the conclusion that they are driven by visions (he uses the term “precognitive concepts,” although I think “gestalts” would have been better). These visions then become the basis for analysis (carefully constructed logical thought) and for ideology (not-so-carefully structured value-laden views). Needless to say, Schumpeter strongly believes that analysis is good and ideology is bad. He admits that we can never altogether rid ourselves of the latter, but by diligent application, a good deal can be scrubbed out.

The immediate effect of this section was my article “Was Schumpeter Right, After All?”—the first sentence of which was “Right about what?” I do not mean “right” about the tendency of ideology to insinuate itself into analysis or that it cannot be at least partly extirpated. I mean right about the legitimacy and validity of ideology. Moreover, if ideology means that sociopolitical commitment will color and shape analysis, I again agree with Schumpeter that ideology will enter into and “infect” all important judgments.

Contrary to Schumpeter, I believe that ideology enters into analysis as a matter of necessity, not as a corrigible weakness. Ideology is not foreign matter that debases the pure stuff of analysis. On the contrary, political judgments and values are integral to and indispensable for analysis because we could not form the original *gestalts* without them. They are the raw

---

***Ideology is not foreign matter  
that debases the pure stuff of analysis.  
On the contrary, political judgments  
and values are integral to and  
indispensable for analysis because  
we could not form the original  
gestalts without them.***

---

stuff of our perceptions, which our analytic capabilities can manipulate but not create. Because we are all creatures of social orders, it is impossible to depict or describe these orders without utilizing the feelings of attachment, resentment, identification, and distance that make us each a part of the social whole. A non-ideological being would exist as a lifeless construct, not as a sentient member of society. It follows that economics can never be without ideological content—that is, without an expression, almost always unconscious, of the values that the analyst attaches to the matters he is observing or analyzing.

Perhaps I should now pause while cold towels are passed around and those who wish to leave may do so. The following five points should make as plausible as possible this heretical, subversive, perhaps even dangerous claim that ideology is all around us.

The first point is what Sherlock Holmes would have called the “Curious Case of the Missing Word.” In our case it involves a word that is indispensable for the very existence of our discipline, but which is almost never pronounced by its disciples. The word is “capitalism.” How often does capitalism appear in the pages of the *American Economic Review*? Aside from those annual issues in which past presidents speak on broad topics and may drop the telltale word, capitalism is not treated with the seriousness that attends the rest of the journal. The words “model” and “system” abound. But capitalism? I challenge you to find it in issues of the *American Economic Review* from the past twenty

---

years. If you find one mention per copy you are a more diligent researcher than I.

How is this an indicator of ideology? Let us suppose that we discover in the Vatican archives a multivolume journal called *Studies of Our Times*, covering the period that we call the Middle Ages. Now let us further suppose that the word “feudalism” rarely appeared in that journal. Would that not suggest a certain aversion to a word whose only meaning is of grossly unequal social relationships—lords, vassals, serfs, and slaves? Is not the absence of the key term “feudalism” in a journal devoted to studies of the medieval order parallel with the failure to mention a corresponding key term related to our own socioeconomic order? Economists feel uneasy using a word like capitalism that may seem to praise or damn when in fact it is a description of certain characteristics, as is the term feudalism.

My second point concerns a quotation by Milton Friedman—Nobel laureate, famous theorist, and one of the rare economists who is not at all hesitant to mention capitalism. In his book *Free to Choose*, Friedman analyzes the difficult question of the inequality of rewards that is an obvious feature of the distribution

---

***Is there not something profoundly suspicious about taking a monadic individual, not the societal dyad, as the representative agent for capitalism?***

---

systems we find in capitalism, and he raises for consideration whether this unevenness is “fair.” If fairness means equality, he concedes, the distribution system under capitalism would not be fair, but Friedman goes on to say that inequality is part of life. Some people are born with better looks than others, some with more native abilities, some with musical abilities. Admitting that it is easier to interfere with the distribution of property than of talent, he asks “From the ethical point of view is there any difference between the two?” There is such a difference—although perhaps it escapes Friedman’s eye—namely, that whereas the distribution of talents is a matter beyond human intervention, the distribution of property is not. Friedman is a brilliant man, but in his attempt to defend capitalism from the charge of unfairness he is not. He cannot see the differences because he is an ideologue.

My third point concerns a certain unnamed Nobel Prize winner who was interviewed by Arjo Klamer in his justly acclaimed book *Conversations with Economists*. Klamer asked this writer whether economists can hold that government might be a force for social justice. Our Nobel laureate replied that this would not be his view: “I think of the pharaohs as responsible for most of the social injustice in ancient Egypt.” Is this ideology-free? To choose the pharaohs as an exemplar of government? Another economist might have chosen Abraham Lincoln instead—that would certainly be construed as ideological. This Nobel Prize winner also describes the unemployed as those who have “chosen” not to work—an ideology-free description, I’m sure you will agree.

Point four is found in so many textbooks and articles that I need give no specific examples. It is that the irreducible atom of economic life consists of the “individual,” whose activities we put under the microscope—not the macroscope. What is this individual presumed to be constantly doing? Maximizing utility. I will avoid the easy task of exposing the vacuity of the words “maximizing utility.” The phrase is consistent with all possible observed behavior and refutable by none. I ask instead that we watch the individual perform his allotted task and inquire why he is engaged in this balancing act. Almost invariably, he is deciding how to spend his income among the various options before him. And what is so ideological about that? It is the unnoticed intrusion of the innocent word: income. For you cannot have an income unless it comes from someone else. Hence the individual is an absurd—dare I say “ideological”—representation of the irreducible atom of economic life. Is there not something profoundly suspicious about taking a monadic individual, not the societal dyad, as the *representative agent* for capitalism?

This leads to my fifth and last point. It concerns the term “crowding out,” a phenomenon that occurs whenever the government spends too much money and, by virtue of having first crack at the money pool, displaces from the credit line some worth borrowed from the private sector. No one has any trouble with that. But wait—during wartime, things are the other way around. When winning the war is the first priority, it is acceptable that the government, not private enterprise, get first crack. And what is ideological about that? It lies, of course, in the tacit admission that the private sector’s credit needs should be fulfilled during peacetime because they have a higher social useful-

---

ness. Do they? Two assumptions underlie this statement: First, the assertion that profitability is a reliable measure of usefulness and, second, that there is no possible way of judging the social utility of public expenditure in peacetime. It is not necessary to say more than the word “externalities” to make the case that profit rates alone will not measure social returns or to assert that studies *could* be made with regard to the respective social returns of two sectors. How they would turn out, case by case, is uncertain. I am reasonably sure, however, that the attribution of such a social advantage to the private sector is, at best, a dubious assumption.

Let me finally try to get to the bottom of things. I hope I have made the point that economic analysis is shot through with ideological considerations whose function is to mask the fullest possible grasp of some of the properties of a capitalist social order. What is the reason for this highly ideological (i.e., partisan) view?

I cannot answer that question with any degree of certainty. Were the case one of systematic distortion

---

***Economics—to those who pursue it—approximates science. Indeed, it is almost a science: It is the only branch of social inquiry that contains something resembling the lawlike inner structure of scientific explanation.***

---

in a dispute over property, the explanation would be that the distorter had something to gain from presenting his case in the most favorable, although not necessarily the most accurate, light. It may be, of course, that economists are themselves capitalists at heart, wishing to protect their social positions and perquisites by screening their beliefs from public view. But I shall not make that assumption. The use of ideology by economists arises from its usefulness in attaining another goal rather than safeguarding capitalism from justified criticism. This higher goal is to establish its close relation to the explanation system we call science.

Scientific thought is probably the most highly regarded of all the activities that make up our complex modern way of life. The pursuit of science assumes a kind of purity of spirit and grandeur of purpose that resembles the religious pursuits of an earlier time. Moreover, economics—to those who pursue it—ap-

proximates science. Indeed, it is almost a science: It is the only branch of social inquiry that contains something resembling the lawlike inner structure of scientific explanation.

For economics this lawlike interior is not based on physical constants but on the remarkable fact that the parallel psychological stimulus—a rise or fall in prices—produces opposing reactions on the part of two categories of society—buyers and sellers. From there it is but a tiny step to supply-and-demand functions (written in often complex algebraic terms), geometric diagrams, and concepts of equilibrium—all the trappings of a scientific journal. I hope I may be forgiven for relating here what I have written too many times—namely, that a Martian who came across a copy of the *American Economic Review* might be forgiven for concluding that it was a journal of physics. Moreover, for all the evident weaknesses of these lawlike underpinnings, they do introduce analytical possibilities into economics that are the envy of sociologists, political theorists, and the like.

Curiously, this does not necessarily make economics the most penetrative vision among these modes of inquiry. If you want to know why a bushman hunting party divides its kill as it does, you read an anthropologist, not an economist. If you want to know why the political world looks as it does, I suspect you will learn more from de Tocqueville or Robert Bellah than from Jeremy Bentham and Gary Becker.

How far to push this? I do not know. I am deeply convinced that economics is an explanation system that relates only to capitalism (you will notice that I shy away from the term “theory”). I believe that by extending its reach to societies that lack capitalistic inner workings, economics diminishes itself. By acknowledging its dependency on a capitalist basis, economics would add depth and validity to its conclusions. And far from “politicizing” its findings in some tendentious sense, it would imbue them with a strength they do not now possess. The power of economic analysis ultimately rests on its acknowledgment, not the denial, of the sociopolitical arrangements whose consequences it wishes to understand and, if possible, to improve.

To order reprints, call 1-800-352-2210;  
outside the United States, call 717-632-3535.