

**Bettering Humanomics:
Beyond Behaviorism and
Neo-Institutionalism**

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Preface

I collect here some ruminations on the future of academic economics. The elevator pitch is that to get a better economic science we need “humanomics,” which uses broader theorizing and more serious empiricism than at present. We need also, as ethical social scientists, to be modest.¹ Ethics is part of humanomics, too – in some ways it’s the foundational discipline, as for all the sciences. Good science, most obviously good social science, should have good people, or else it breaks bad. “Neo-institutionalism,” like many other anti-ethical, neo-behaviorist movements over the past few decades in economics, doesn’t fit the bill – of an ethical and convincing economics.

The case for such a view, arranged here into something like a coherent argument, has appeared in a miscellany of academic journals, or as book reviews and conference papers. The pieces began mainly as responses to invitations to sound off. “Responding” is not mere irritated disputation, or somehow impolite. It’s what scientists should do, every time. “What’s your argument? Oh, I see. Well, here’s my considered response to your logic and evidence. Maybe we can make your argument better. I may be mistaken, but let’s look into it. You come too.” It’s the conversation of science. So I went to it with a will. (You’re welcome.)

We should all try to follow the motto of the philosopher Amélie Oksenberg Rorty, who wrote in 1983 that what is crucial is:

our ability to engage in continuous conversation, testing one another, discovering our hidden pre-suppositions, changing our minds because we have listened to the voices of our fellows. Lunatics also change their minds, but their minds change with the tides of the moon and not because they have listened, really listened, to their friends’ questions and objections.²

Listening, really listening is the “hermeneutic” side of a rhetorical or substantive criticism.³ It’s how science advances, really advances, whether on little matters such as an econometric β coefficient or on world-shaping matters such as in Newton or Darwin or Marx or Keynes. Find out what’s mistaken in earlier science. Fix it. In 1867 the subtitle of Marx’s *Capital* was *A Critique of Political Economy*. That’s the scientific spirit.

The discoveries I have made over the past couple of decades by responding critically are two:

(1.) There seems to be emerging a new and I think more serious and sensible way of doing economic science – quantitatively serious, philosophically serious,

¹ DeMartino 2011; and DeMartino and McCloskey, eds. 2016.

² Rorty 1983.

³ Lavoie, ed. 1990.

historically serious, ethically serious. The economist Bart Wilson and a few others nowadays call it humanomics.⁴

(2.) The neo-institutionalism of Douglass North and Daron Acemoglu is not the way forward. Scientifically speaking its factual claims, like those of the other recent fashions of behaviorism, are dubious, or at best badly argued. It does not listen, really listen, to the evidence of humans, or to its friends' scientific questions and objections. Substantively, it treats creative adults as a flock of little children, terrible twos who do not need to be listened to. Instead, they need to be pushed around with incentives. Neo-institutionalism looks down from a great height of fatherly expertise in design of institutions onto the so obviously self-defeating activities of free adults.

So do many of the other neo-behaviorist fashions: a behavioral economics claiming that cognitively we are all of us little children; field experiments in economics performed mercilessly on the little children; a neuroeconomics hitching the little children up to electrodes; and, for the past century or so, reaching a climax recently, an economic engineering adding more and more policies to dominate from Washington or London or Brussels the pathetic little children—for their own good, you see. The Democrats say, “Add more regulatory domineering of prescription drugs, instead of permitting adult Americans to buy them freely abroad.” The Republicans say, “Add more police domineering of northeast Baltimore, instead of permitting adult Baltimoreans to find employment at a wage that businesses are willing to pay.” The neo-behaviorist fashions go in the wrong direction, adopting an implausible hypothesis that Economic Daddy Knows Best, treating grown-up people as less than fully free adults. And its vaunted empiricism is surprisingly hollow. To overcome the illiberalisms and fill the hollows we need a better economics, a bettering humanomics.

Whether or not you are an academic economist, you should care about the future of the field. Madmen in authority, it was said, who hear voices in the air are distilling their frenzy from some academic scribbler a few years back. The distilled products are the policies of the Politburo, the Council of the European Union, the Federal Reserve Bank, the Chinese Communist Party, the U.S. Treasury, the IMF, the World Bank, Elizabeth Warren, the federal and state and local governments, and the very idea that there should be “policies” devised by your masters to govern your pathetic little life, you silly child. I reckon you should care if the distilled stuff is poisonous.

Yet the main implied reader of the book is a professional economist, or a fellow traveler among political scientists, sociologists, law professors, philosophers. I've been an economist and economic historian most of my life, and I love and admire economics and its practitioners. Mostly. Samuelson and Friedman, Harcourt and Johnson, Fogel and Hirschman, Demsetz and Robinson. Hurrah for the ideas of opportunity cost, of supply and demand, of entry and exit—and their mathematical and statistical expressions. Three cheers for the accounting of national income and the wheel of

⁴ Smith and Wilson 2018.

wealth, especially in their historical implementations. God's blessings on cooperation and competition – their analysis and their analysts. Yes, I said, yes I will yes.

But if the distillation is not to poison everyone around, from Beijing to Boston, we economists need to rethink the recipe, devising a new one that nonetheless does not throw away what's known from older and actual economic science. In brief, economists need to reform their cargo-cult pretense of quantification, their phony scientism, their sneering dismissal of ethics, and their accompanying scorn for most of human knowledge. Yet they should keep their theory of price and their other pieces of refined common sense collected since the Blessed Adam Smith.

“Cargo-cult” may need explanation. It's the label the physicist Richard Feynman assigned to projects having the external look of science, but that are actually make-believe.⁵ The comparison is with the highlanders of New Guinea after World War II, who set up coconut-shell lamps and runway-like clearings, in the hope that the big war-time planes with their enriching cargo would come back. The planes didn't actually come back. Similarly, much of what in economics looks *like* quantification, or at any rate mathematics, doesn't actually quantify, or yield factual truth. And much of theorizing in economics that looks *like* insight into the world's work doesn't yield it either.

The “sneering dismissal of ethics, and the accompanying scorn for most of human knowledge,” does not need explanation. You see it in action daily. The very word “science,” when defined in ignorance of the philosophy, sociology, and history of science, is used by the arrogantly ignorant – among them the less scholarly economic scientists – to ignore ethics and to exclude other ways of knowing.

A future economics should use the available scientific logic and evidence, all of it – experimental, simulative, introspective, questionnaire, graphical, statistical, literary, historical, psychological, sociological, political, ethical. To deploy an old joke, the economist drunk on his specialized distillation should stop hoping that the house keys he lost out in the dark will just happen to show up under the lamppost, where the light is better. The economist should become seriously quantitative and seriously qualitative, too, practicing an entire human science. No more cargo cults, dears. Get serious ethically. Search for all the scientifically relevant knowledge out in the dark, where much of it is to be found, not only under the lamppost.

⁵ Feynman 1974.

Introduction:
Humanomics and Liberty
Promises Better Science than the Neo-Behaviorist Fashions

I offer in the First Stanza here a prospect, with examples in some detail, for that better and bettering “humanomics.” The word names an economic science that repairs the models and mathematics and statistics and experiments and the like of the orthodoxy c. 2020 but then adds the immense amount we can learn about human action in the economy from the myriad forms of human speech, and from reflection about the action and the speech—the news on the Rialto, the rhetoric of the chat-rooms in controlled experiments, the sober testimony of businesspeople at Rotary meeting, the gossip of the *Kaffeeklatsch*, the findings of interspecies experiments, value alignment in AI, politics on the stump and in the cloakroom, the ethical and epistemological ruminations about suitable categories (national income, to be sure, but which definition of the nation, or of income?), the stories in history, the reflections of theologians, the introspections of poets and philosophers, the surveys of public opinion, the wisdom of novels, plays, poems, films—and about all of these, what are called in America the “humanities,” the enormous, ramifying projects since ancient times of looking back critically on all such thinking and speaking and action. In brief, use all the evidence we can get our hands on.

As put by the Chinese psychologist Ning Wang and the 1991 Nobelist Ronald Coase, pioneers of humanomics before the letter:

The stupendous loss in the depth and richness of human nature is a noticeable part of the price we have paid in transforming economics from a moral science of man creating wealth to a cold logic of choice in resource allocation. No longer a study of man as he is, modern economics has lost its anchor and drifted away from economic reality. As a result, economists are hard pressed to say much that is coherent and insightful, although their counsel is badly needed in this time of crisis and uncertainty.⁶

In *Round the Bend* (1951) the Australian novelist Nevil Shute (most famous for *On the Beach* [1957], made in 1959 into a poignant film starring Gregory Peck) told of the owner of an air-transport company reflecting on his business, after the death of his brilliant chief engineer Constantien (he was called Connie, and was a religious man):

I was lonely and troubled, and at first there didn’t seem to be much point in going on with anything; I was very tired, and I didn’t know what to do. I thought of selling out my business, to Airservice, perhaps. . . . But after a time I got settled down, and then it seemed to me that it would be a better thing to carry on the business and run it in the way that Connie liked, so that in a materialistic

⁶ Coase and Wang 2013, p. 206.

world my air line should be an example running through Asia to show that men can keep the aircraft safe by serving God in Connie's way, and yet keep on the black side of the ledger. I'd go so far as to say, from my experience, that only by serving God in this way can you keep out of the red.⁷

Shute is pointing to a human characteristic, our need for a transcendent purpose, even in business, and for love, even in business. It's just the way humans are, in addition to a pursuit of materialistic profit which they share with all of life. A *human* science of the ordinary business of life, as Alfred Marshall defined it, needs to acknowledge such purposes as much as it acknowledges balance sheets. Both. Thus humanomics.

We are humans, you'll have noticed. A big part of our human behavior is thinking and talking about human action, as against thoughtless reaction. Humanomics goes beyond the artificially narrowed evidence of a reactive, silent, positivistic, observational behaviorism. Behaviorism has ruled economics and many other fields of the human sciences since the 1930s, without much philosophical reflection about what a speaking species does. In opposing it for the human species, the entomologist E. O. Wilson, when asked about a top-down, behaviorist idea for treating humans like ants, is said to have replied, "Great idea. Wrong species." The Austrian-American economist and early student of the rhetoric of economics, Fritz Machlup, pointedly asked in the 1940s what physics would look like if atoms could . . . talk. For a science of humans, it's still a relevant question.

The word *humanomics* was coined around 2010, I noted, by the astonishing experimental economist Bart Wilson, who with the Nobelist Vernon Smith wrote in 2019 *Humanomics: Moral Sentiments and the Wealth of Nations for the Twenty-First Century*. Then in 2020 Wilson, who is also a professor of law, wrote a humanomical study of the uniquely human habit of alienable property, in a book called *The Property Species: How Humans Make Things "Mine," How "Mine" Makes Us Human*. For many years Wilson has taught with Jan Osborn, a colleague from the Department of English at Chapman University in California, a freshman course introducing economics through such texts as an English translation of Goethe's *Faust*. Yes, you heard that right, *Faust*. Early in the epic, for instance, the misled Doctor Faust makes a complaint that illuminatingly violates the no-free-lunch postulate of economics, or its related 20-shilling-note theorem. The theorem is that routine learning, picking up any 20-shilling note that might perhaps have fallen on the roadside, earns merely routine profits. The Doctor whines, "I have neither money nor treasures. / Nor worldly honors of earthly pleasures." Routine learning, he is complaining – a foolish and anti-economic complaint expressed daily on CNBC – has not resulted in a free lunch of supernormal

⁷ <https://www.fadedpage.com/books/20120913/html.php>. I thank Simon Taylor for the citation.

profits. He therefore turns to magic, or econometrics, “That I might see what secret force / Hides in the world.”⁸ And finally in vexation he turns to Mephistopheles.

Thus again humanomics. Its full range will become evident. Philosophers note that one sort of definition of a term is “ostensive” (Latin *ostendere*, to show). You can show what is meant by the word “chair” by showing a dozen of them in varied designs, from Windsor to Eames. The present book, together with a trilogy on the economics and history of the bourgeois era (2006, 2010, 2016) and the popular version written with Art Carden, *Leave Me Alone and I’ll Make You Rich: The Bourgeois Deal* (2020), with the political book *Why Liberalism Works* (2019) – and much earlier works by other economists such as Albert Hirschman and Arjo Klamer anticipating humanomics, often many decades before I got it – provide an ostensive definition of the word. They show an economics going beyond behaviorism to real, non-cargo-cult science.

§

In the other, Second Stanza of the book I offer in particular, and by way of an extended, responsive example, a humanomical criticism of neo-institutionalism, the mainly historical branch of the recent behaviorist orthodoxies. Neo-institutionalism is the claim – its advocates such as Oliver Williamson and Douglass North have repeated the phrase without much reflection – that “institutions in the economy *matter*.” The italics are part of the rhetoric, a rhetoric concealing a lack of comparison or measurement or much depth in causal analysis.

The neo-institutionalist idea, articulated most influentially for historical explanations by the amiable Nobelist North (1920–2015), is that law provides “the rules of the game.”⁹ If we change the rules, we of course will usually change the outcome of the game. Lower the pitcher’s mound, and baseball gets more hits. In particular, the neo-institutionalists repeatedly claim that in olden times we knew not the rules of property rights and contract law, and therefore when we got the rules we got modern economic growth. The historical claim is that recently – say in 1689 in England – the rule of law was discovered, to all our joy. Now we can use it, says the World Bank, to make the poor rich. A snap. Get rules, such as the Soviet Constitution. Job done.

It’s called *neo*-institutionalism to distinguish it from the old school of American institutionalism of Veblen, Commons, Ayer, and Galbraith, which itself was a chip off the old block of the German Historical School of Schmoller, Weber, Sombart, Lowe, and Polanyi. Contrary to the oldsters, neo-institutionalism uses enthusiastically, sometimes

⁸ Goethe 1806 (1963), p. 95.

⁹ It is commonly believed that North received the prize (with Robert Fogel in 1993) for neo-institutionalism, not for his earlier and noble advocacy, like Fogel, for applying economics to history. The belief is false. I wrote much of the citation for the prize given jointly to North and Fogel. I admit that the Committee was by 1993 probably attracted to North’s new advocacy, but I know what I wrote and what appeared. It was for inventing “cliometrics,” not neo-institutionalism.

accompanied by a strange insistence that it does not, the tools of “neoclassical” economics. Especially it uses the sub-tools called “Samuelsonian” economics, in which modern economists are over-trained – tools such as game theory and its construal of the human as Mr. Max *U*, a sociopath intent on maximizing his utility subject only to the constraint of the rules of the game.

“Samuelsonian,” I note, is historically more accurate than the more conventional term, “neoclassical.” The crushingly intelligent Paul Anthony Samuelson (1915–2009) asserted that economics must be about individuals maximizing subject to constraints, what I call below “*P*-logic” or Prudence Only. “Neoclassical,” by contrast, properly includes other economists following on the sharp revision of political economy in the 1870s, such as Austrians and Marshallians and Keynesians and even Post-Keynesians (though they are more properly to be viewed as Classical rather than Neoclassical). They do not agree with what the excellent 26-year-old Samuelson laid down in his modestly entitled Ph.D. dissertation, *The Foundations of Economics Analysis*, submitted in 1941 and published in 1947 – that the sole correct method will follow only the adventures of Max *U*. (Yet I am fond of remarking that in the late 20th century our economic science has had the advantage over linguistic science, with which it shares many characteristics, that its Great MIT Leader was the tolerant, moderate, amiable, and crushingly intelligent Paul Samuelson, instead of the dogmatic, extremist, nasty, and crushingly intelligent Noam Chomsky.)

Why then does neo-institutionalism with its Samuelsonianism need to be criticized, and replaced by humanomics? I’ll give the case in full below, especially in the Second Stanza. But for now, consider:

For one thing, neo-institutionalism, like much of economic thinking, confuses necessary with sufficient conditions, and helpful side conditions with inspiring casual conditions. The idea overused in Samuelson of the “production function,” for example, says that a book of alternative product recipes is necessary. Certainly it is, whether literally written down or not. Put together this much iron ore and limestone and coke, with a blast furnace and some labor, according to page 106 or the book of recipes, and you get pig iron. Use instead the recipe from page 26, which uses much more labor, and uses charcoal instead of coke, and you get the same amount of pig iron but with differing opportunity cost of the inputs used. Good to know. But to stop at the recipe book as the “cause” of the pig iron is to confuse the book with the human action sufficient and inspiring for the very book, such as engineering education and craft traditions and a free society in which to exercise them – and most basically the human creativity that suffices for education and craft and betterment when a free society permits.

True, French cuisine still depends to some degree on *Le Guide Cuisinaire* (1903) by Auguste Escoffier, as for example in its five “mother sauces”: béchamel, espagnole, velouté, hollandaise, and tomato. Escoffier’s *Guide* is a necessary input, or at least a helpful one, into *Mastering the Art of French Cooking*. But the sufficient and inspiring

causes of French cuisine are not such items in the supply chain, but the social and intellectual arrangements in French homes and restaurants that made for the book in the first place, from Guillaume Tirel in the 14th century and Catherine de Medici in the 16th century down to untold thousands of wives, and then husbands, too, inventing crème caramel and bouillabaisse, with the millions of French eaters insisting on getting good meals, and willing to talk about them endlessly. The causes in a sense relevant to serious scientific description and even to proposals for policies to encourage haute cuisine were ideas, a human creativity along with the conditions such as liberty making for it. The causes were not production functions, not the routine, bookable recipes after the creativity.

Going on and on with the confusion of necessary with sufficient conditions, or modestly helpful with powerfully inspiring conditions, leads away from a proper understanding of economic growth, among lesser subjects in economics. Property rights under a rule of law are necessary and helpful, of course, or the life of man, said Thomas Hobbes, is solitary, poor, nasty, brutish, and short. You can therefore explain why nations *fail*, and can discern the origins of poverty, by noting the nasty incentives that have led some nations for millennia away from the rule of law and alienable property rights.¹⁰ But you can only explain why nations *succeed*, and discern the origins of prosperity, by noting with John Locke the sufficient cooperativeness and the inspiring liberties that led some nations in the 19th century towards enterprise and betterment.¹¹ If *Le Guide Cuisinaire* or *The Foundations of Economic Analysis* had been deeply flawed books, you could explain some outcomes in bad cooking or bad economics. But excellent cooking and excellent economics comes from human creativity – such as by the admirable Escoffier and Samuelson. We seek to know the sufficient conditions for the creativity.

Elevating a necessary condition such as property rights to the cause of modern growth would be like elevating the existence of the tomato in Europe after the Columbian Exchange to the cause of *sauce tomate*. It was necessary but not sufficient. The British and the Dutch and the Germans had the necessary tomatoes, but did not have the sufficiencies that made for their glorious French use. Tomatoes, labor, and capital in Germany made for German cuisine; in France, French. Or take pastry. Austria, Denmark, and France, alone among European countries, know how to make edible pastry. If you drive from Copenhagen across the bridge to Malmö in Sweden, the pastry shifts from ambrosia to fodder. The Danish recipe was not created equal to the Swedish.

And the necessary conditions featured in neo-institutionalism are in fact commonplace. A society without property rights and the rule of law is hardly a society at all. The historical truth is that since the beginning of human society the enforcement of property rights and a civil peace has been pretty much universal, with or without the

¹⁰ Acemoglu and Robinson 2006, 2012.

¹¹ See Will 2019, pp. 5-6.

permission of a sovereign, if there was one. Little bands of hunter-gatherers, which had no fixed sovereign, or much any leader to speak of, had a vivid sense of ownership, as do many species down to butterflies. Bart Wilson in the recent book I mentioned sees the origins of the uniquely human practice of alienable property in the mental and ethical habits of making compound human tools, such as spears. Prisoners and gold miners devise autonomous rules of property.¹² To speak of larger societies, Israel under the judges had private property, before the Israelites unwisely demanded that God give them a king.¹³ Genghis Khan unified the wild horsemen of Mongolia by fiercely enforcing the rule of law, with property rights in horses and wives.¹⁴ Yet none of these yielded modern economic growth, until in 18th-century Britain and its North American colonies the ancient routine of reasonably good laws was mixed for the first time in agricultural societies with an entirely new idea, an economic liberalism explored first in Dutch cities and theorized in French salons.

By contrast the liberal releasing of human creativity has *sufficed* for growth, if the routine and widespread necessary and helpful conditions have obtained – property rights, rule of law, liquid water, oxygen in the air, absence of an active civil war, the arrow of time, the existence of the universe. Northern Italy, the Ottoman Empire, Northern India, Japan, and China had for centuries all such necessary conditions, as did the Mayan, Mali, Roman, Assyrian empires before. Yet they did not achieve the modern economic growth arising in a Dutch-influenced and liberalizing England, and then spreading to the world.

So, I say to my beloved colleagues in economics and history, please stop putting forward as explanations for innovation yet another necessary or helpful condition – coal, canals, patents, capital markets, the rule of law, industrial policy. You put forward, if on the right, the rule of law, because you think the unruly should be controlled from above. You put forward, if on the left, industrial policies, because you think the stupid should be controlled from above. Look instead, I suggest, for the sufficient and inspiring conditions – which you will not find in places that are after all mostly conservative, the law and the state.

Another criticism of neo-institutionalism and the other behaviorist fashions is an old technical point, namely, that they exhibit a notable deficiency in measurement, or the absence of quantification altogether. Cargo cults. Much of orthodox economics nowadays shares the fault. If economics, beyond its scientific goal of true description, is a policy science, as economists have asserted boldly for about a century – which is to say, a social engineering in which brilliant economists make helpful suggestions in line with Progressivism or socialism to offset “imperfections” such as externalities or monopolies in the markets that mere liberalism had shamefully allowed to proliferate – then of course it requires measurement of effects. Yet economics since it first claimed to

¹² Umbeck 1977 and Radford 1945.

¹³ 1 Samuel 8.

¹⁴ Weatherford 2004.

become a masterful policy science has with rare exceptions undertaken neither the measurement of the effects of the alleged “imperfections” nor the measurement of the likely and supposedly helpful effects of the suggested interventions – or on the anti-intervention side of politics, the measurement of the costs of the interventions.

Monopoly or inequality or externality or informational asymmetry “exist,” to be sure. Some economists have been vigorous in measuring their local effects, on telephone pricing, say, or the imperfect market for defective horses or automobiles. But their national significance has been nothing like established in economic measurement. Posited externalities among other allegedly significant imperfections have been used without serious empirical inquiry in order to justify all manner of governmental actions.¹⁵ Listen to the rhetoric defending a new policy: we need regulation of this terrible, new imperfection, just as we have anti-trust policy against allegedly harmful “monopoly” by Amazon or tariff policy against allegedly harmful “dumping” by China. Meanwhile the highly “imperfect” economy has yielded a rise of income for the poorest of . . . wait for the news from economics history . . . 3,000 percent. An economy riven with terrible imperfections has yielded a rise by a factor of 30 in the ability of the poorest among us to buy goods and services, a Great Enrichment. Hmm. In Yiddish syntax: some imperfections!

The “rare exceptions” to a lack of measurement are to be seen in agricultural economics measuring, say, the effects of tobacco allotments on the land prices of North Carolina, or in transportation economics measuring the cost and benefit of high speed rail between Chicago and St. Louis, or, with radically less believability, in macroeconomics measuring the tradeoff between inflation and employment. Even these seldom ask what is the national significance of the entire bundle of problems and programs and policies, which is the scientifically relevant question. The Lucas Critique in macroeconomics makes such a point. I note late in the Second Stanza that even a scientific and political program I much admire, the empirical Austrian economics of George Mason University, shares in the orthodoxy’s lack of believable, on-the-whole measurement of national importance.

And finally one needs to ask whether it is *ethical* to intervene the way a behaviorist policy science does. I doubt the policy of an economic policy science, and you should, too. The French tradition of Louis XIV’s Controller-General of Finance, Jean-Baptiste Colbert, carried down to the present, is to suppose that an economy, unlike language or art, needs detailed central regulation. The businessmen of Paris were asked by Colbert in 1681 what the government could to help them. They replied, “Leave us to do it.” I say: leave free adults to do it. Scientific description yes; overmastering policy, no. Wise remarks about how things are, yes; calling in the cops to push people around, no. “The key functions of the legal system,” writes the classical liberal legal theorist Richard Epstein, “can be neatly summarized in four words:

¹⁵ See Bourne 2019.

aggression no, exchange yes.”¹⁶ As the libertarian political thinker David Boaz puts it, “In a sense, there have always been but two political philosophies: liberty and power.”¹⁷

Modern economic orthodoxy sets aside adult human creativity, in favor of a mechanical behaviorism depending on books of recipes and the policies of Daddy Colbert. As Friedrich Hayek and his followers such as Vernon Smith say, economic policy is “constructivist,” that is, it implements the rationalist side of the Enlightenment as against the liberty side.¹⁸ Let us make the world anew. *We* can make it – we wise and good economists empowered by the government’s monopoly of coercion. Economics is easy, merely a matter of input and output, structure and accounting.

The Austrian economists’ term of art against such a pervasive constructivism is “discovery.” Discovery is not routine, and not easy, or else it is not discovery and does not earn the supernormal profit implied by the 3,000 percent. Will the new little grocery store on Printer’s Row in Chicago succeed? Don’t know, can’t know, anyway hard to know. There’s no mechanical assurance like a production function. Discovery is creative and free and adult. It is scary, true, but in the end massively enriching. It should be encouraged, not crushed by orders from Daddy and his planners, no more than by the Sun King and his bureaucrats, or the guildsman and his tariff walls.

An economics without discovery at its center therefore gets the economic science wrong. Humanomics gets it right. The political scientist and 2009 Nobel laureate in economics Elinor Ostrom (1933–2012), another pioneer of humanomics, wrote in 1990:

The intellectual trap in relying entirely on models to provide the foundation for policy analysis is that scholars then presume that they are omniscient observers able to comprehend the essentials of how complex, dynamic systems work by creating stylized descriptions of some aspects of those systems. With the false confidence of presumed omniscience, scholars feel perfectly comfortable in addressing proposals to government that are conceived in their models as omniscient powers able to rectify the imperfections that exist in all field settings.¹⁹

The sounder policy is to give up policy, and let human creativity do its work. Social engineering is illiberal on its face. (I will use the word “liberal” throughout in its original and international meaning, that is, a society composed of non-slaves – not slaves to husbands or masters, to kings or bureaucrats.) Liberalism is what made us very rich and reasonably good, as in the liberal parts of the U.S. economy since 1800 and of the Chinese economy since 1978 and of the Indian economy since 1991. Enrichment came from new ideas, nourished by what the economist and philosopher Arthur Diamond calls openness to creative destruction, not from the intermediate causes along

¹⁶ Epstein 2009, pp. xii–xiii.

¹⁷ Boaz 2015, p. 1.

¹⁸ Smith 2002, 2007.

¹⁹ Ostrom 1990, p. 215.

the supply chain such as capital or institutions or state intervention.²⁰ Strategic bombing, which relies on input-output thinking, did not work as expected in the face of creativity by Germans or Soviets or North Vietnamese. The idea of order at Key West is not engineer-able, not in its in ghostlier demarcations, keener sounds.

The idea can be as simple as that of selling goods on a street in Baltimore, Maryland. Bubbles in *The Wire*, for example, is an entrepreneur financing his drug habit by buying deodorant and candy bars low and selling them high. Everyone's better off, though not of course when Bubbles gets robbed daily by a tough guy. Or outside of fiction, Mohamed Bouazizi had the idea of selling goods on the streets of Sidi Bouzid, Tunisia, though robbed repeatedly by the police, and finally in protest immolating himself, and initiating the liberal Arab Spring. No pushing people around. Ideas matter most, and people create them.

Good ideas, contrary to the economist and advocate for state coercion Mariana Mazzucato, do not come importantly from big government.²¹ That the road outside Google's office in Cupertino was built by the city does not mean that the city caused the search engine. Substitutes are available, says the economist in command of price theory. If substitutes are not available, then everything is caused by every moderately necessary conditions, from the road up to God's will. We are left without a scientific understanding of what really matters. The mistake can be called the Supply-Chain Fallacy, on display in Mazzucato's books. Or, in criticism of Samuelsonian economics, it can be called the Production-Function Fallacy. Or, in criticism of Marxian economics, it can be called the Structural Fallacy. True, this or that item in the supply chain or the production function or the present structure can be seen as necessary. But it's like a mechanical watch. The gears and face and so forth are of course necessary for the watch to work. But its motive force is the spring.

It has turned out that good, bettering, productive ideas come most easily from free people – at best free from all human coercion, or at least free within their corporation or government to try out novelties. It is said that Toyota gets a million new ideas a year from the suggestion boxes on the factory floors, while General Motors routes the suggestion boxes to the circular file. Big governments are mostly like General Motors. In a fantasy world of social engineering the governments, even if not very creative, are sweet and good. But in fact most governments outside of Estonia and Minnesota are notorious for being obstructive and counterproductive, at worst employing thugs in aid of the cousins, or of the Chinese Communist Party in Hong Kong, or at best using the Progressive/ Fabian/ socialist faiths of omnipresent

²⁰ Diamond 2019.

²¹ Mazzucato 2013. A decisive demonstration that her theme is mistaken is Thomas Hazlett's brilliant history of wireless in the United States (2017). Tom deals for example with the urban myth that the government, or Al Gore, invented the internet. The internet was invented by profit-making entrepreneurs; a bit of the technology came from defense contracts, mostly secret.

externalities and omni-competent governments to boss around the mere citizens on the West Side of Chicago. I say: let my people go.

The omnicompetence assumed in a policy science is regularly accompanied by a lack of ethical reflection.²² I ask: where do you get off, Ms. Economist, in thinking that you are qualified in science or entitled in justice to “nudge” free adults? The tilt of economic policy towards centralized, Colbertian, top-down intervention since the Progressives and the Fabians is notably anti-liberal, even when in the United States and to a lesser degree in the United Kingdom it, bizarrely, calls itself “liberal.” Never mind explicit fascism or communism in the 20th century – revived nowadays in infantilizing populism from the right, and proposals from the naïve left to “try socialism.” And the middle-of-the-road regulatory state revives a masterful lordship and guild mercantilism that long dominated Europe from above before the liberal and enriching era of Smith and Bastiat.²³

Let’s not. Let’s not reinvent the hierarchy imposed by agricultural societies 8,000 BCE to 1800 CE, and instead take full advantage of the liberal autonomy and status egalitarianism built into the genes of our hunter-gatherer ancestors during millions of years of wandering in small groups. The scientific consensus is that “a core characteristic of documented nomadic foragers is their political egalitarianism. Nomadic foragers have no hierarchical social stratification. . . . Leaders (if they exist) have little authority over group members; rotation of roles and functions occur regularly; people come and go as they please; and no person can command or subject group members to act according to one’s political aspirations.”²⁴ Contrast such genes with the hierarchical pushing around characteristic of modern governments. It ain’t natural. Our genes, combined with the literacy and enrichment and now internet sophistication of humans, all developing in the past two centuries, imply liberalism, not coercive governments. Now is the time for liberty from policy.

§

So humanomics criticizes neo-institutionalism and other little-child behaviorisms that suit humans and moderns exceptionally poorly. It proposes instead that we economists grow up and get seriously modest about the logic and evidence of a human science embracing the liberty and therefore the creativity of adults.

Even a narrow economic logic contradicts social engineering. If the social engineers are so smart, as I noted long ago in studying the rhetoric of storytelling in economics, why aren’t they rich?²⁵ It’s a fair question to ask of any expert proposing to run your life with helpful suggestions or coerced policies. Supernormal profit, as Dr.

²² DeMartino and McCloskey, eds. 2016

²³ On guilds, against the statist and neo-institutionalist fantasy of their benevolence, see Ogilvie 2019

²⁴ Shultziner and others 2010, pp. 123-124.

²⁵ McCloskey 1990.

Faust understood, is a strict implication of a supposed ability to predict and control. We can't predict and control, not profitably, not in a creative economy. Name the economist who predicted the internet or containerization or the Green Revolution or the automobile or the modern university or the steam engine. Growing up requires an expanded, humanistic science that analyzes the creativity of human action in retrospect, and in prospect accepts the epistemological limits on ant-behaving prediction and control.

The recommendation to take the humanities seriously, understand, is not an attack on mathematics. I side with Léon Walras, who wrote in 1874. "As for those economists who do not know any mathematics, who do not know what is meant by mathematics and yet have taken the stand that mathematics cannot possibly serve to elucidate economic principles, let them go their way repeating that 'human liberty will *never* allow itself to be cast into equations' or that 'mathematics ignores frictions which are *everything* in social science.'"²⁶ If you want my opinion (no extra charge), I think there should be *more* mathematics and statistics in economics, not less – though I have long argued that many of the present tools along such lines amount to a cargo cult. We should do more scientifically relevant mathematics and statistics, not less, and at a much higher level than we do now. We should do simulations and error bounds, Bayesian analysis and functional approximations learned from the Departments of Engineering and of Physics, with evolutionary mathematics learned from the Department of Biology, instead of grinding away at pointless existence theorems, on/off, learned from the Department of Mathematics, and at pointless *t* tests, on/off, learned from a Fisherian, anti-Bayesian Department of Statistics.

The lesson of humanomics, in short, is that modesty in the face of creativity by free adults is in order. No more masters. As Rachel Carson argued about silent springs in 1963, Jane Jacobs argued about vibrant cities in 1984: "Germane correction depends on fostering creativity in whatever forms it happens to appear in a given city at a given time. It is impossible to know in advance."²⁷ DDT looked like a miracle treatment, as asbestos looked like a miracle material, and econometrics a miracle tool of economic engineering, until they didn't. Robert Moses' takings by eminent domain in New York City looked brilliant, until they didn't. Brilliant miracles are not routinely achievable by central plan. The production function is cargo-cult science (which I confess that I practiced for decades) if it is imagined to be about masterful causes rather than a modest retrospective accounting. We humans live in economies the way we live in cities and in language and in art and in cookery and in the natural environment. Attempts at overmastering by central plan usually do not work out. Restrain therefore the impulse for a masterful prediction and control dating to Auguste Comte's *savoir pour pouvoir*. As Yogi Berra (and, it turns out, Niels Bohr) said, in the face of creativity,

²⁶ Walras 1974/1900 (1954), p. 47.

²⁷ Jacobs 1984 (1985), p. 230.

or quantum mechanics, prediction is difficult, especially about the future. So therefore is control.

Stop it. Then get serious about a richly descriptive yet ethically restrained human science of economic life.