

HUMANITIES FORUM

January 24, 1979

THE SOUND OF ONE HAND CLAPPING: ECONOMICS WITHOUT HUMANITIES

The honor I have received this evening also carries with it the sobering requirement that I deliver a public lecture. The selection of a topic has not been an easy one, although several almost immediately presented themselves. There was the official letter of notification which stated that the lecture could be on "any topic of (my) choice relating to the theme: Changing Alaska: Land and Community.'" This was a bit like old Henry Ford's offer that you could purchase a Model T of any color of your choice, providing it was black. This was not a new topic. I have given six variations on this theme at past community workshops and symposia sponsored by the Alaska Humanities Forum. In each case, these were natural-resource-based communities where the audience understood only too well the relationship between their community and land (used in the economist's sense as the factor of production which owes nothing to man's effort, i.e., natural resources). It could be a challenge tonight to make this topic understandable to an audience drawn from a community whose economy was based upon the activities of several types of bureaucracies--private, governmental, and academic. Land (natural resources) has a key relationship to your community also, but it is an abstraction which engages the activities of the bureaucracies involved in its management, exploitation, or study. As I pursued this lead, it became clear this would be very tedious as a subject of a public lecture, and my initial drafts sounded like a staff report from the Federal State Land Use PLanning Commission or one of the interminable explanations of d-2¹ land issues.

Claus Naske urged me to consider a personal reminiscence of the events and personalities with which I have had contact or involvement in my career as a practicing economist in Alaska. This was a natural, not just because Claus is an historian in search of primary

sources, but because the span of Alaska's history through which Jean and I have lived since we first arrived in January 1945 has been a time of constant and dynamic change for Alaska. This span was extended even further back in history by the lives of some of our first and older friends and colleagues who had taken part in pioneer commercial and mining developments and events leading to the creation of the Territory of Alaska and the Alaska Native Brotherhood and Sisterhood. This is a subject more suitable to the writing of my memoirs, however, and I'm not quite ready for that.

There was a third contender for the choice which was there from the start but was rather too personal to force itself forward. Why would an economist be selected for recognition as a humanist? Was there or should there be any connection between economics and the humanities? These were never questions that bothered me, but this is not a common viewpoint. Most of you are familiar with the jibe that "an economist is a person who knows the price of everything and the value of nothing," and too many of my professional colleagues pride themselves on being free of value judgments in their work. If this point of view is to prevail, then I have no place in this ceremony, and my work could not be considered as making a contribution to the humanities in Alaska, for the U.S. Congress included in its definition of humanities a list of examples concluding with "those aspects of social sciences concerned with values." A further set of questions relative to the Forum's theme deal with the relationship of the economist to land and community.

My decision was made only last week, January 16 to be exact. Among the invitations to join or contribute to worthy causes, announcements from magazine publishers or distributors that I may have won \$150,000, and similar flotsam and jetsam that float into our home six times a week on the flood tide of mail delivery, came the December 1978 issue of the Journal of Economic Literature. In addition to the pages of book reviews and professional journal article abstracts were two full-blown essays, one by Paul Samuelson,

The Canonical Classical Model of Political Economy. The subject of the article was not a new one for Samuelson; over the past twenty years or so, fragments of it had been advanced by him, but here was the summing up, the complete original version. The thesis was that Adam Smith, Ricardo, Malthus, John Stuart Mill, and (with a few additions concerning land) Karl Marx "shared in common essentially one dynamic model of equilibrium, growth, and distribution." The obstacle to understanding this Samuelson blames on "the classical economists' discursive writings," which not only ramble from one thing to another but "in some of their passages they qualify what they have written elsewhere; in some they provide negations and contradictions." In spite of this, Samuelson holds that "within every classical economist there is to be discerned a modern economist trying to be born . . . [and trying] to say something significant . . . quite in the same way that we moderns endeavor to do." In performing the necessary mid-wifery, he "stripped down to its minimal essentials" the basic model hidden in the "discursive writings" of each economist (i.e., cleared out all the rambles, qualifications, contradictions, and negations) and by employing "modern mathematical tools . . . characterized in modern terms the relations that were actually common to all these writers."

I found this exercise in putting classical political economy into the mainstream of modern economics through creation of the "basic classical model in its essential form" intellectually entertaining and stimulating. But it also aroused certain emotional responses within me which might send me stretching into the far and dusty reaches of my study to extract the old texts and books from which my formal education as an economist were shaped.

My undergraduate study began before Samuelson's epoch-breaking introductory text appeared. Although the year was 1939, our introduction was through Alfred Marshall's Principles of Economics, Eighth Edition, 1922 printing. Although the original edition of 1890 remained in essence little changed, our teachers weren't

interested in making our training instantly "relevant." The Great Depression had been around for several years, and Keynes' General Theory was creating a revolution in economics; but these events were never allowed to intrude into our education. In spite of this, I do not regret the late nineteenth century door through which I entered my discipline. Let me read the opening words of Chapter I:

"Political Economy or Economics is a study of mankind in the ordinary business of life: it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being. Thus, it is on the one side a study of wealth; and on the other and more important side, a part of the study of man. For man's character has been moulded by his everyday work, and the material resources which he thereby procures, more than by any other influence unless it be that of religious ideals; and the two great forming agencies of the world's history have been the religious and economic."

Marshall conceded that "the artistic spirit" and "military ardour" at times might, for awhile, be predominant in the shaping of world history and the character of mankind, but religion and economics were the abiding forces, and of these, economics, the greater.

I never fully embraced Marshall's economic determinism nor believed the market system was the means of viewing man and society, but at least Marshall had a view of economics as a "part of the study of man." Marshall came to economics from ethics, and his paramount concern throughout his Principles was with poverty. Accordingly, much of the book was what Samuelson would characterize as discursive, rambling through the highways and byways of Victorian morality and ethics, always holding before his young readers the banner of progress: "This progress has done more than anything else to give practical interest to the question whether it is really impossible that all should start in the world with a fair chance of leading a cultured life, free from the pains of poverty and the stagnating influences of excessive mechanical toil . . . The question cannot be fully answered by economic science. For the

answer depends partly on the moral and political capabilities of human nature, and on those matters [about which] the economist has no special means of information." Along with others seeking these answers, the economist contributes from "facts and inferences, which are within the province of economics; and this it is which gives to economic studies their chief and their highest interest."

Much of Marshall's "purely economic" theory we found in his long footnotes (some going on for more than a full page), appendices, and elaborations in the text which appeared to have no integration with a general scheme of principles. This was the appropriate priority, as he was to explain at some length in Appendix C. His discipline was dedicated to providing a "firm backbone of reasoning and analysis," not the formulation of any all-embracing system. "The function of analysis and deduction in economics is to forge rightly many short chains and single connecting links." He would be truly bewildered by Samuelson's search for an underlying essential model in all this. Marshall used terms like "economic laws" and "economic science," but these were made more from practical not scientific conditions. "If there is any general statement which we want to bring to bear so often, that the trouble of quoting it at length, when needed, is greater than that of burdening the discussion with an additional formal statement and an additional technical name, then it receives a special name, otherwise not." He was similarly related concerning the use of the expression "economic science." Whatever we call it, we were to consider it as "chiefly valuable . . . as a handmaid of ethics and a servant of practice."

Discursive or long-winded Marshall was, and preachy, but at least with him we started our apprenticeship knowing our place; I still firmly believe that as long as economists look upon themselves as part of a broader movement which requires the studies and participation of practitioners of other social sciences and the humanities, they can become useful, even valuable, members of society. Also, I have never lost sight of Marshall's credo that

economic progress, although important, was not enough in itself, that it must advance in harmony and step with moral and political progress.

In the second stage of my education, it was my great fortune to study under the influence of the upper division lectures and applied theory seminars of Leo Rogin. It wasn't until nine years after his death in 1974 that his widow and students put together his unpublished magnum opus from articles, lecture notes, and the preliminary drafts of a manuscript. The preface quotes at length from some notes he left from his introductory lectures: "Economics is an old discipline. Men of acknowledged talent and integrity like Adam Smith, Malthus, Ricardi, and Karl Marx devoted their best energies to the making of it. Such men have pursued the scientific method, in the large sense of the term, as distinguished from the purely speculative. There has been a reasoned and disciplined appeal to facts. . . . But more recently, the empirical orientation has been reinforced by a highly developed statistical technique which has found application in a wealth of research guided by a variety of ingenious hypotheses. And yet, we seem to be no nearer that agreement among trained investigators, which is witness to the objectivity of the natural sciences. The professional economist tends to evade the problem of disagreement by assuming that there is agreement among all who matter, i.e., all those who belong to his own theoretical camp. . . . Educated laymen are more apt to . . . resort to the explanation that economics is an unripe science which has not yet discovered its appropriate method. Both points of view . . . rest on the uncriticized premise, inspired by the successful career of the natural sciences, that theoretical articulation of human affairs is susceptible to the uniquely correct determination by means of an appeal to fact, freed from subordination to social ideals and social goals. My research into the history of economic thought has tended to confirm quite the contrary hypothesis, namely that significant new orientations in economic theory first emerge

(and persist, often in a changed role) in the concealed or unconcealed guise of arguments in the realm of social reform."

In the courses that followed, we studied the writings of a parade of economists from the Physiocrats to Keynes. We were taught to discover the meaning of each set of theories by relating them to the context of contemporary controversy in the fields of economic and social policy. We tested the validity of each in the light of its practical aim and the given historical circumstances and our own sense of values. We learned that the different perspectives so gained called for different selection and organization of facts, and that there would be no universal and perpetually valid set of laws. We were dealing with means, not ends.

Finally, we were trained to evaluate any theory in its "relation to the career of society, which is, after all, the vehicle of competing interests. The critic does not abandon the ground of objectivity; on the contrary, he affirms it, in the only way possible for a science of human affairs--by making his normative and practical perspective explicit." The discussion of the use of the term economic laws was introduced by the quip that "in economics there have never been or never will be discoveries, only inventions." Professor Rogin taught us that:

"The propositions which have come within the scope of the principles of economics are too contingent or too formal to make the appellation laws other than misleading. That is all the more reason why the economist should not abdicate the functions of social criticism and the direction of economic policy . . . the economist's activity is dignified not because it conforms to certain presuppositions concerning the essential nature of science derived from an alien context; it is dignified rather by the circumstance that specialists in human affairs are in a position to improve on the method of recognition which prevails on the level of common sense. By raising to self-consciousness the relation of theory to policy, misdirection of theory to policy, misdirection of energy in the task of theoretical formulation in the social sciences, may be decreased."

After four years of applying my training, I returned to academe for a Ph.D. Economics had undergone a major overhaul between my time at Berkeley and Cambridge, and by this time we were all Keynesians, and through journals and other readings, I had been kept abreast of this. But again, good fortune saved me from a narrowing focus by bringing me to the seminars on economic thought conducted by Overton Taylor. In the introduction to his collected papers, he characterized himself as

". . . a belated 'species.' . . . an old-fashioned, philosophical, political economist, with interests extending far beyond the limits of 'economics' as now commonly conceived, into all the surrounding fields or parts of all social science, history, and philosophy. . . . I simply cannot do as others now do--jump directly into special problems of economic policy, with only an economist's equipment and my basic, personal predilections left in the state of being merely unexamined prejudices. Impelled by an inner need, I go on forever, trying again and again to reformulate, reconsider, and rerevise all my opinions and all their ultimate or primary and intermediate grounds, and bring them all into line or make them consistent with all of the knowledge and the best, reflective judgments that I can attain. . . . Thus, economic theory is not, to me, an isolated, self-sufficient, independent inquiry at all, but one of many integral parts of the all-embracing philosophy that is forever in the making--in flux, ever growing and changing--in my mind."

Let us return to the afternoon of January 16, 1979. I had come to know the classical economists as whole men in my university career. Adam Smith's Wealth of Nations was read from an acquaintance with his earlier and more comprehensive Moral Sentiments; John Stuart Mills' Principles of Political Economy, in the context of his concern with freedom and liberty, as expressed in the writings that occupied most of his career; and Karl Marx Das Kapital, in that of parliamentary reports on the conditions of the working classes from which came much of his passion and anger at the exploitation of man by many. I had been taught to look for the underlying essentials or the essences of the economics of these great thinkers, not like Samuelson in some clever bits of analytical apparatus found or suggested in the crevices of their writings, but in their excessive

"discoursiveness." Here we can read the systems of value which gave all else meaning.

In his construct of the "canonical classical model of political economy," Samuelson had treated the five economists selected as though they were rookies in an awkward squad and, like a good Prussian drillmaster, had systematically stripped them of their humanity and humanism and turned them into goose-stepping regulars in the army of "modern economists." To be totally fair, I must note that in the introduction to his justly famous and successful textbook, Samuelson does note that economics borders on and sometimes overlaps other social sciences and that "Just as economics benefits from the work of related social sciences, so in turn do the social sciences benefit from economics." But this discourse takes up only one-and-a-quarter pages of 838 pages in the edition I have before me and gives the student no sense of this discipline in context of what Marshall calls the total study of man.

The second set of questions, what is the relationship of economics and the economist to land and community, can be answered by reference to my subsequent career. My practice has been in the economics of regional development or change and natural resources management. Of necessity, because I have been located in Alaska, it has also included labor and employment and demography. With a total absence of only three years since arriving in January 1945, it has been pursued in Alaska. About mid-point, I broke stride in order to write two books drawing upon my experience in using Alaska as a laboratory for understanding economic and social change. The first, written in 1959, was inspired by my observations of applications of inappropriate analytical approaches and tools to Alaska's problems and policy development. It was devoted to a demonstration of an alternative approach. I used as my case region southeast Alaska and public policy in the management programs for fisheries, forest products, and the Native people. My education had taught me that the validity of analysis was dependent upon what facts were selected

(what facts are strategic to the subject to be analyzed) and how these are organized and structured. My approach was to eschew prefabricated structures and depended upon becoming so completely submerged in the subject (in this case the southeast region) that it was possible to instinctively select those variables that are strategic to the subject.

According to my experience, as tempered by my training, appropriate guides not only must be drawn from and be relevant to the environment of management but also must be relevant to the ends to be served. Looking at fisheries management, I could approve of the recent admission of economic efficiency along with biological objectives, as an end, but held that this did not go far enough.

"Factors ruled out of this narrow calculus, such as social efficiency and costs, must also be admitted. It is a stubborn fact that we are dealing with man, not 'economic man,' and unlike the economist's ideal conception of him, man is not instantaneously adaptable and movable. While the social welfare of any particular group in itself may justify considering an orientation at odds with that commended by traditional economic analysis or by the rationalizations of owners of productive capital, [even this] need not set limits upon the evaluation of alternatives. The composition and qualities of the Region's broad natural resource base . . . may yield richer though less tangible returns through fostering . . . [for example], small communities of men and women living and working in harmonious relation with their physical environment."

Although the words differ, this adds up to a reasonable approximation of the Alaska Humanities Forum's perennial theme, "Land: Bridge to Community." In contrast, this discussion quoted the statement made by a Federal fisheries administrator that his agency was not concerned with how or by whom a fish was caught, "a dead fish is a dead fish." Whether this spokesman for management was aware of it or not, and I'm sure he was, anything done by his agency had economic and social effects.

"The understanding of the 'social and economic implications of the [management] task' . . . is based upon a choice of the ultimate goals to be served. Furthermore, the strategic problem is not technological--whether this be applied to

biological or to broader economic and social considerations. That there is need for much more study and research in [biological] areas is clear . . . but there is an even greater need to study and determine the ultimate ends we wish to promote through the use of the natural resource base. It is not enough, when speaking of natural resource management policy, to say that the ultimate ends should be the perpetuation of renewable resources on a sustained yield basis. These purely biological ends can be served in most cases through several means, each with varying degrees of biological certainty and cost, but possibly by quite different routes when placed in broader social context. Taking salmon as an example, . . . there are numerous means by which this escapement might be assured. Fishing of each run might be concentrated at one limited point in the season, or it might be allowed intermittently throughout the entire course of the run. The number of units of gear engaged in fishing might be regulated through licensing, or efficiency of the fishing effort drastically curtailed through direct regulation of size and type of gear. The social and economic costs and benefits of these numerous alternatives for accomplishing a given biological end obviously vary greatly. Taking the argument a step further, each of the social science disciplines might be applied to the problem of selecting the appropriate management policy from among these alternatives; but this in turn will yield only that policy which is appropriate to the discipline itself--not a choice of ultimate goals."

In subsequent years, I had occasion to run into many variations of this myopia in practice but will cite only one which relates directly to land and Alaska. In December 1970, I was invited, along with three other Alaskans representing differing points of view and perspective, to participate in a conference sponsored by the University of California on the report "Public Lands--One Third of a Nation." This was the final report of the Public Land Law Review Commission, which had been given the assignment of reviewing a hundred or more years of laws and regulations relating to the Nation's lands and to advising Congress on the creation of an all-embracing Organic Act which would clear out dead wood, codify, and update. Looking at these recommendations from an Alaskan viewpoint, I noted:

"On a laundry list basis, we got from the commission virtually anything any reasonable Alaskan could hope for. It is not out of any sense of ingratitude, therefore, that I will address myself to what had been left out of the report in its treatment of Alaska as a whole, based upon an understanding of the meaning of the creation of a new state from the public lands. Looking beyond Alaska, I would expand these observations to conclude that what the commission has left out has been the community and human aspects of public land management. This implies a major shortcoming, but it was inevitable given the analytical system and assumptions they subscribed to for arriving at decisions. Although the commission may have believed it was entitled to overlook these factors, a critique cannot."

The Commission had been charged with reporting as to the legal and administrative actions needed to assure that the public lands would be managed "in a manner to provide the maximum benefits for the general public." It took this charge seriously, but mistakingly sought to make the very subjective concept of public benefits and its maximization concrete.

"From the outset, we are told that there are to be 'controlling standards, guidelines, and criteria,' although it is noted that 'judgment would be required.' We are told in the preface that in considering its task, the commission used a check list of 'justifiable interests' that led it to its subsequent recommendations and conclusions which met 'the test of providing the maximum benefit for the general public.' We are also informed in the preface that 'the Commission considered all the resources and uses of the public lands to be *commodities*,' which would lead us to anticipate an analytical system drawing from the academic discipline of economics rather than politics. In fact, there is strong evidence that economic factors alone are to be the primary measure of public benefit. This approach reaches its most complete statement in the discussion of recommendation 2.

"Maximum public benefit in planning for public land use will be obtained, according to the recommendation, when the Congress specifies the factors to be considered in making the decision and an 'analytical system' determines the application of these factors to the specific decision by the executive agency involved. Having made its recommendation, however, the commission immediately deprives Congress of its role by going on to list the several general categories of factors which 'can serve all of the agencies equally.' In order to assure consistency of results and effort among the several agencies, 'this process should be

standardized with common units of measurement and a system for the comprehensive analysis of the factors considered.' . . . The Commission concludes that a regional input-output analysis is 'the only approach that provides a reliable basis for making comparisons of economic impacts for land uses. . . . for those limited situations where choices among conflicting uses cannot clearly be made after application of this system, Congress should attempt to provide guidelines that could be used to resolve such conflicts.' . . . [nothing is] to escape what will eventually be an all-embracing machine system or possibly an alliance of systems covering economic, social, and other factors and goals."

Not only did the Commission limit the determinants of public policy decisions primarily to a narrowly constructed system of economic factors, but it confused the appearances of "reliableness," as contrasted with the messier political process, with the reality. I concluded my tirade:

". . . the evaluation of any system of analysis is not in terms of its elegance and appearance of precision, but in the identification of what the system takes as given (i.e., not problematical). Ideas and factors that would disrupt or cannot be conveniently assimilated into the system are consciously or unconsciously discarded and what is left in does not necessarily reflect what is strategically important in the real world or the objectives and aspirations of real people. . . . Virtually everything I have discussed as representing the values, factors, and goals inherent in the experiment of creating a state from the public lands of Alaska, and the more basic Native land issue, therefore, would be off-limits in any analytical system of the sort considered. The commission's view that all resources and use of the public lands are to be considered as commodities, for example, is incompatible with the land ethic of the Native Alaskan which treats it as home. . . . The public benefit is an evolutionary, highly subjective and relative concept. It is not an absolute, and it cannot be discovered and measured and weighed and described by application of a set of absolute principles, standards, criteria, and analytical systems. Granting all of the truly great accomplishments of the commission in performing this tremendously important and difficult task, one basic flaw is the search for concreteness and stability, when it could or should never be found, in the concept of the public benefit.

In preparing for this conference, I found in my files a form letter from the director of the commission dated 13 October 1968 inviting me to provide suggestions of

'identifying and structuring criteria' for determination of the maximum benefit for the general public which would 'put decision-making within the commission on a plane above reliance on divergent opinions arrived at without reference to a common base.'

"To paraphrase the [director], policy *must* be established in advance in accordance with a 'public interest test' so we would 'know the rules of the road' in arriving at the correct decisions. If we are to follow this approach, there will be no voluntary and democratic process or broad citizen involvement; and with a hygienically predetermined test, no pluralistic approach to the definition of the benefits to be maximized, the determination of policies of maximization, and the solution of problems. Goals and objectives will all be determined by the system."

Congress did not react immediately to the Commission's recommendations and their heated public reaction. Eventually, or rather in 1976, the Bureau of Land Management was provided with a totally new "organic act," and the Forest Service with an extensively revised forest and range lands act which fortunately departed from the central spirit of the report. The objectives of management went far beyond simply treating land as a commodity and management as real estate transactions. The objectives were broadened beyond maximization of dollar returns to the U.S. Treasury to embrace a range of social and economic objectives relevant to the public welfare. Public participation was no longer to be a prefatory gesture, and provision was made for a variety of means providing a continuous re-examination of public benefit and the measurement of impacts of management at the community through the national levels.

The effects of these revisions in practice can be illustrated by reference to the process of development of the new Tongass National Forest Plan which has been going on for the past two years. Public participation was prepared for through a program of public education and awareness development, followed by community workshops, questionnaire surveys, and local and subject-oriented advisory teams. Means for analysis and measurement of impacts were tailored to the specific region (southeast Alaska) and the communities within it. Outside Alaska, another level of analysis was going on addressing

national interest and concern for land within the region (i.e., need for wood fiber and timber products and wilderness).

The old dragon of bureaucratic cop-out, however, never fully dies and must be slain again and again. The past three days, I have been meeting here as a member of the Scientific and Statistical Committee of the North Pacific Fishery Management Council. Among the many agenda items occupying our time was the drafting of a response to a National Marine Fisheries Service (national level) proposal to centralize the provision of the socioeconomic data needed for preparation of future regional fisheries management plans. An eastern consulting firm had been retained to set up a "data bank" at Washington D.C., from which "boiler plate" could be spewed to meet the legal requirement that all plans reflect "all relevant social and economic factors." We were asked to rank data needs which they had specified as to importance to plan preparation on a scale of 1 to 3. The basis for ranking was a matrix listing fifteen identified "management units" ranging from salmon and halibut at one end to sea snails and coral at the other end of the horizontal axis and thirty-seven "data topic areas" on the vertical axis. These last were drawn from the consulting firm's imagination of what a fisheries region was like and had little relevance to the North Pacific. For example, nothing relating to subsistence use was included, and much that was included was of very minor importance. We were then asked to repeat a similar exercise using the same matrix but ranking the adequacy of existing data. The results of this democratic voting process would be tabulated for all regions in combination and the "winners" given space in the national data bank. From that point on, the computer would relieve the several regional councils of the problems of meeting the socioeconomic analysis required by law.

I will close by referring to the title I have given this lecture: "The Sound of One Hand Clapping: Economics Without Humanities." The first part is borrowed from the title of one of

Anthony Burgess' early novels which was, in turn, borrowed from some treasury of unanswerable questions posed to novices by Zen masters: "What is the sound of one hand clapping?" My answer is, economics without the humanities. Many variations might be made by substituting for economics any other social science or natural science, for that matter. For humanities deals with the things we value, with ends and economics or any other science or quasi-science with means. But today we are in a crisis because we have lost our old values and have no new models to imitate, no ultimate standards against which to measure behavior and results. And so, the means have become the ends. My reaction to Samuelson's article last week made me aware of how far economics had strayed from the main body of philosophy and the humanities from which it had originally emerged as a "handmaid of ethics," important in answering the questions philosophy raised as to good and evil. It has, like other science, acquired autonomy and gotten out of hand. But it also has lost ultimate meaning.