

Part Seven

The Place Of Economics In Society

XXXVII. THE NONDESCRIPT CHARACTER OF ECONOMICS

1. The Singularity of Economics

WHAT assigns economics its peculiar and unique position in the orbit both of pure knowledge and of the practical utilization of knowledge is the fact that its particular theorems are not open to any verification or falsification on the ground of experience. Of course, a measure suggested by sound economic reasoning results in producing the effects aimed at, and a measure suggested by faulty economic reasoning fails to produce the ends sought. But such experience is always still historical experience, i.e., the experience of complex phenomena. It can never, as has been pointed out, prove or disprove any particular theorem.¹ The application of spurious economic theorems results in undesired consequences. But these effects never have that undisputable power of conviction which the *experimental facts* in the field of the natural sciences provide. The ultimate yardstick of an economic theorem's correctness or incorrectness is solely reason unaided by experience.

The ominous import of this state of affairs is that it prevents the naive mind from recognizing the reality of the things economics deals with. "Real" is, in the eyes of man, all that he cannot alter and to whose existence he must adjust his actions if he wants to attain his ends. The cognizance of reality is a sad experience. It teaches the limits on the satisfaction of one's wishes. Only reluctantly does man resign himself to the insight that there are things, viz., the whole complex of all causal relations between events, which wishful thinking cannot alter. Yet sense experience speaks an easily perceptible language. There is no use arguing about experiments. The reality of experimentally established facts cannot be contested.

But in the field of praxeological knowledge neither success nor failure speaks a distinct language audible to everybody. The experience derived exclusively from complex phenomena does not bar escape into interpretations based on wishful thinking. The naive man's propensity to ascribe

1. Cf. above, pp. 31-32.

omnipotence to his thoughts, however confused and contradictory, is never manifestly and unambiguously falsified by experience. The economist can never refute the economic cranks and quacks in the way in which the doctor refutes the medicine man and the charlatan. History speaks only to those people who know how to interpret it on the ground of correct theories.

2. Economics and Public Opinion

The significance of this fundamental epistemological difference becomes clear if we realize that the practical utilization of the teachings of economics presupposes their endorsement by public opinion. In the market economy the realization of technological innovations does not require anything more than the cognizance of their reasonableness by one or a few enlightened spirits. No dullness and clumsiness on the part of the masses can stop the pioneers of improvement. There is no need for them to win the approval of inert people beforehand. They are free to embark upon their projects even if everyone else laughs at them. Later, when the new, better and cheaper products appear on the market, these scoffers will scramble for them. However dull a man may be, he knows how to tell the difference between a cheaper shoe and a more expensive one, and to appreciate the usefulness of new products.

But it is different in the field of social organization and economic policies. Here the best theories are useless if not supported by public opinion. They cannot work if not accepted by a majority of the people. Whatever the system of government may be, there cannot be any question of ruling a nation lastingly on the ground of doctrines at variance with public opinion. In the end the philosophy of the majority prevails. In the long run there cannot be any such thing as an unpopular system of government. The difference between democracy and despotism does not affect the final outcome. It refers only to the method by which by which the adjustment of the system of government to the ideology held by public opinion is brought about. Unpopular autocrats can only be dethroned by revolutionary upheavals, while unpopular democratic rulers are peacefully ousted in the next election.

The supremacy of public opinion determines not only the singular role that economics occupies in the complex of thought and knowledge. It determines the whole process of human history.

The customary discussions concerning the role the individual plays in history miss the point. Everything that is thought, done and accomplished is a performance of individuals. New ideas and innovations are always an achievement of uncommon men. But these great men cannot succeed in

adjusting social conditions to their plans if they do not convince public opinion.

The flowering of human society depends on two factors: the intellectual power of outstanding men to conceive sound social and economic theories, and the ability of these or other men to make these ideologies palatable to the majority.

3. The Illusion of the Old Liberals

The masses, the hosts of common men, do not conceive any ideas, sound or unsound. They only choose between the ideologies developed by the intellectual leaders of mankind. But their choice is final and determines the course of events. If they prefer bad doctrines, nothing can prevent disaster.

The social philosophy of the Enlightenment failed to see the dangers that the prevalence of unsound ideas could engender. The objections customarily raised against the rationalism of the classical economists and the utilitarian thinkers are vain. But there was one deficiency in their doctrines. They blithely assumed that what is reasonable will carry on merely on account of its reasonableness. They never gave a thought to the possibility that public opinion could favor spurious ideologies whose realization would harm welfare and well-being and disintegrate social cooperation.

It is fashionable today to disparage those thinkers who criticized the liberal philosophers' faith in the common man. Yet, Burke and Haller, Bonald and de Maistre paid attention to an essential problem which the liberals had neglected. They were more realistic in the appraisal of the masses than their adversaries.

Of course, the conservative thinkers labored under the illusion that the traditional system of paternal government and the rigidity of economic institutions could be preserved. They were full of praise for the ancient regime which had made people prosperous and had even humanized war. But they did not see that it was precisely these achievements that had increased population figures and thus created an excess population for which there was no room left in the old system of economic restrictionism. They shut their eyes to the growth of a class of people which stood outside the pale of the social order they wanted to perpetuate. They failed to suggest any solution to the most burning problem with which mankind had to cope on the eve of the "Industrial Revolution."

Capitalism gave the world what it needed, a higher standard of living for a steadily increasing number of people. But the liberals, the pioneers and supporters of capitalism, overlooked one essential point. A social system,

however beneficial, cannot work if it is not supported by public opinion. They did not anticipate the success of the anticapitalistic propaganda. After having nullified the fable of the divine mission of anointed kings, the liberals fell prey to no less illusory doctrines, to the irresistible power of reason, to the infallibility of the *volonté générale* and to the divine inspiration of majorities. In the long run, they thought, nothing can stop the progressive improvement of social conditions. In unmasking age-old superstitions the philosophy of the Enlightenment has once and for all established the supremacy of reason. The accomplishments of the policies of freedom will provide such an overwhelming demonstration of the blessings of the new ideology that no intelligent man will venture to question it. And, implied the philosophers, the immense majority of people are intelligent and able to think correctly.

It never occurred to the old liberals that the majority could interpret historical experience on the ground of other philosophies. They did not anticipate the popularity which ideas that they would have called reactionary, superstitious, and unreasonable acquired in the nineteenth and twentieth centuries. They were so fully imbued with the assumption that all men are endowed with the faculty of correct reasoning that they entirely misconstrued the meaning of the portents. As they saw it, all these unpleasant events were temporary relapses, accidental episodes to which no importance could be attached by the philosopher looking upon mankind's history *sub specie aeternitatis*. Whatever the reactionaries might say, there was one fact which they would not be able to deny; namely, that capitalism provided for a rapidly increasing population a steadily improving standard of living.

It was precisely this fact that the immense majority did contest. The essential point in the teachings of all socialist authors, and especially in the teachings of Marx, is the doctrine that capitalism results in a progressive pauperization of the working masses. With regard to the capitalistic countries the fallacy of this theorem can hardly be ignored. With regard to the backward countries, which were only superficially affected by capitalism, the unprecedented increase in population figures does not suggest the interpretation that the masses sink deeper and deeper. These countries are poor when compared with the more advanced countries. Their poverty is the outcome of the rapid growth of population. These peoples have preferred to rear more progeny instead of raising the standard of living to a higher level. That is their own affair. But the fact remains that they had the wealth to prolong the average length of life. It would have been

impossible for them to bring up more children if the means of sustenance had not been increased.

Nonetheless not only the Marxians but many allegedly “bourgeois” authors assert that Marx’s anticipation of capitalist evolution has been by and large verified by the history of the last hundred years.