

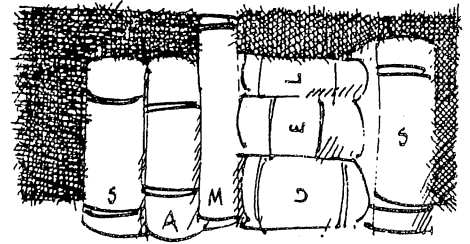
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Donald N. McCloskey

"You are what you eat," says Tiny Tim, and I was among the last of the Harvard sophomores to feed on Samuelson's *Economics* (before the Harvard professors brought out their own brand, in bite-sized pieces from Prentice-Hall). Reading the ninth edition of the book, therefore, is for me, as for a long generation of American economists raised on a steady diet of *Economics* or its imitators, an experience in gastronomic nostalgia. The book has not changed much in substance or style, so here again are all the familiar tastes and aromas of one's youth: the post-Keynesian synthesis in macroeconomics, supplemented now by an attempt to bring Milton Friedman and his money supply into it; the post-Robinson-Chamberlin lack of synthesis in microeconomics, supplemented now by worried remarks on air pollution and the military-industrial complex; and through it all the chef's style, lively but disorganized, name- and idea-dropping, hastily written and opaque at some points, carefully written and clear at others, studded with silly jokes and sober morals, and communicating to the reader, whether or not he quite follows every twist of the self-proclaimed eclecticism, the richness and excitement of modern economics.

I propose to bite the hand that fed me. As every reviewer of the eight previous editions must have remarked, the book revolutionized the teaching of economics. One must ask now whether economics should continue to be taught this way. The dominant theme of the book was and is that economics can help answer the chief question facing the West

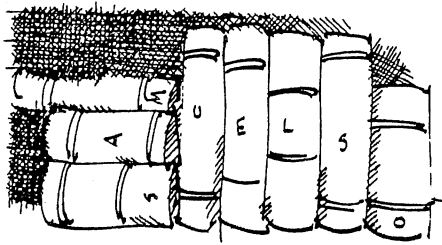
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in 1948: Can democratic capitalism be saved from its obvious failings without recourse to either socialism or reaction?

As Samuelson puts it in the Introduction, in a formula to be repeated throughout the book, "Economics cannot stand content merely to describe the truths of life. Political economy finds itself called on to help public opinion do something towards improving manifest evils." He asks, "What shall we do?" Since the only effective "we" in society is the government, this emphasis on policy rather than description leads naturally to a governmental solution to each evil. If we face mass unemployment, then taxing and spending (with a nod to the money supply) can avoid it. If we face inflation, an incomes policy (with a nod to its failures in Western Europe) can stop it. If we face stagnation in underdeveloped countries, a five-year plan (with a nod to the bad planning of a few governments) can eliminate it. That the great bulk of the economics profession and, in this new age in which we are all Keynesians, most informed public opinion agree is testimony to the persuasiveness, if not necessarily to the truth, of the movement in economics that Samuelson led and of the book in which he distilled its essence.

But there is another way to teach economics, one that emphasizes description rather than policy, that asks how we got here rather than what we can do about it. Samuelson's approach in *Economics* is that of a social engineer, applying to the mis-



behavior of the economy the accepted knowledge of how economies behave; the other is that of a social scientist, extending that knowledge. This is a matter of pedagogy, not personality, for Samuelson is indubitably a scientist, one of rare creativity and energy at that. Yet strangely his book and its imitators (that is to say, the postwar mainstream in the teaching of economics at the undergraduate level) downplay the achievements of economics as a social science.

This is most evident in the book's treatment of microeconomics—the study of markets—that is, the study of groups of selfish individuals. It is fashionable to argue that altruism, class solidarity, or irrational fancies motivate men as much as does calculating selfishness. Still, selfishness explains a lot, and the elaboration of its implications must be considered the characteristic gift of economics to the study of man. On a generous accounting, however, only a third of *Economics* is devoted to microeconomics. By contrast, in Armen Alchian and William Allen's *University Economics*, which is excellent for teaching despite a bias toward conservative political conclusions even more distracting than Samuelson's bias toward middle-of-the-road conclusions, the figure is closer to two-thirds.

The weakness is more than mere quantity, for Samuelson presents markets as given social structures, to be tested for their goodness or badness and to be tinkered with if found wanting, not as structures that are

themselves the result of a history of selfishness. One case in point is his brief chapter on "Maximum-Profit Equilibrium: Monopoly," and related developments elsewhere in the book. The very title of the chapter is misleading, suggesting as it did to one befuddled undergraduate that monopolies seek profit but competitors do not. In missing an opportunity to emphasize the pervasiveness of selfish behavior, Samuelson is making it harder to understand that monopolies and other market structures do not fall from heaven, but are themselves the result of men struggling to get more. Consider this: in a political campaign the parties spend a great deal of money to achieve a monopoly of political power. We tolerate the waste because we like the episodic competition (and it should be remarked here that Samuelson ignores the exciting trend in modern economics of applying economic models to political and sociological materials). But an analogous waste in the pursuit of private economic monopolies could easily dwarf the loss from the exercise of the monopoly once achieved and add greatly to the reduction of income and the distortion in its distribution.

Another case in point is Samuelson's discussion of pollution—in the jargon, "externalities." He is uncharacteristically dogmatic when he asserts, "Wherever there are externalities a strong case can be made for supplanting complete individualism by some kind of group action" (p. 475, original italicized). By emphasizing what to do about it rather than how it came about, he misses (or, rather, acknowledges grudgingly and obscurely in a footnote) the economic as opposed to the merely technological cause of externalities, namely, the poor definition of property rights or the high cost of enforcing them. Consider this: if a crowded public road is sold to somebody, his selfish behavior in setting a price for its use can eliminate the externality

of overcrowding.

And still another case is Samuelson's chapter on racial and sexual discrimination, which treats the consequences in terms of lost income but barely touches the causes. Consider this: discrimination is not viable in a competitive market (such as the New York garment trades), and those who wish to discriminate must circumvent the market through politics or monopoly, depriving blacks and women of the degrees and the union cards that would enable them to earn more.

A reader of *Economics*, then, will learn some arguments but will not learn how to argue, a remark that is best illustrated by the low quality of the questions at the end of each chapter, which, when they do not ask the student to generate algebraic or geometric formalisms for "extra credit" (mathematics, after all, is the highest stage of reasoning), ask him only to replay the words of the chapter. The bright student, of course, will learn more than a catechism; despite the obstacles, he will learn that economics is a social science, a way of understanding why society is as it is. This is a noble undertaking, with no particular political bias. When Milton Friedman or J. K. Galbraith or Paul Sweezy, each of whom in his separate way treats the *understanding* of social phenomena as a task as important as the *solution* of social problems, finally acknowledges his responsibility to write college textbooks as Paul Samuelson has, perhaps we shall have a worthy successor to *Economics*.

