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Austrian Economics, Neoclassicism, and the Market Test

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During a conference in 1987, a member of the audience asked me what school of economics I belonged to. Instead of repudiating this label-mongering, as perhaps I should have, I answered that I was a card-carrying member of no school but a fellow-traveler of the Chicago and Austrian schools both—if that is possible. Yes, it is possible, said Fred Glahe, another member of the panel; for he too was a fellow-traveler of both schools. I have been studying works in the Austrian tradition ever since happening onto writings by Ludwig von Mises and F. A. Hayek in 1946 or 1947. Only a small part of my own work, however, has had a deliberately Austrian character. I say this because two things might otherwise suggest, wrongly, that I am a spokesman for the Austrian school: my academic title and my being asked to comment on an earlier version of Sherwin Rosen's paper at the Mont Pèlerin Society meeting in Vienna in September 1996 and again on its revision in this journal.

Rosen recognizes, in broad strokes, some contributions of Austrian economics, especially its insights into decentralization and competition. However, his recognition of Austrian strengths should be amplified and his criticisms softened. I will also argue that his appeal to a market test for judging academic work risks encouraging anti-intellectual attitudes and practices.

Austrian Strengths

I'll list some Austrian strengths that merit more attention, cautioning, however, that not all Austrians cultivate every one of the themes mentioned.

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Austrians are concerned with the big picture, with how a whole economic system functions, and with alternative sets of institutions. This is what Rosen presumably means by curiously labeling Austrian economics a "macro" rather than "micro" theory. Austrians investigate how the specialized activities and decentralized decisions of millions or billions of persons and business firms are coordinated. Decentralization allows use of what Hayek called "knowledge of the particular circumstances of time and place"—information that would otherwise go to waste or not even emerge in the first place. In bringing further information even about remote parts of the economy to the attention of decentralized decisionmakers and by applying incentives for its use, the market system and prices function as a vast computer and communications system. No particular agency takes charge of this coordination, and none would be competent to do so. In what Rosen calls "their finest hour," Mises and Hayek demonstrated that efficient economic calculation was impossible under centrally planned socialism. To most neoclassical economists with whom Rosen identifies, however, and as he acknowledges, the recent collapse of communist economies came as a surprise.

Austrians understand how useful institutions, including the market system itself, money, the common law, ethics, and language, can evolve "spontaneously," by a kind of natural selection, rather than by conscious implementation of any overall design. Of course, individual participants in unplanned processes act rationally by their own lights. Austrians treat institutions not as givens that can be captured by a parameter or two in an economic model but rather as complex social arrangements whose evolution requires serious thought. While not asserting that "whatever is, is right" and without rejecting possible reforms, Austrians do counsel a certain humility against temptations to overthrow spontaneously evolved institutions and practices merely because their rationales have not been fully understood and articulated.

Austrians recognize the time dimension in economic life. They take change, uncertainty, and unpredictability seriously not only in confronting theoretical and econometric models but also in assessing institutions and policies. They recognize that complex structures of heterogeneous capital goods reflect not only diverse and changeable consumption patterns and production processes but also diverse time horizons adopted in specific investment decisions.

Austrians are not obsessed with contemplating and comparing equilibrium states. They pay attention to disequilibrium and process. They do not suppose that demand curves and cost curves, nor even tastes and technologies, are somehow "given" to decisionmakers. They recognize that such entities emerge within the processes of making and implementing decisions. They see how competition presses toward reducing costs. They value the activity of entrepreneurs alert to profit opportunities in arbitraging away imperfections of coordination and in trying new products and methods. They reject policies aimed at making reality conform to textbook models of pure and perfect competition.

Austrians are relatively resistant to the methodological fads and half-tacit sermons of the academic mainstream. Austrians stress the subjective element in value:

economics is primarily about people and their purposes, not about things and quantities. They push their analysis to the level where decisions are actually made, the level of the individual person, family, firm, and agency. However, they do not get trapped in a narrow perspective; they remember that the real challenge is to understand economywide coordination.

Austrians, or many of them, correctly distinguish between value judgments and value-free propositions of positive economics. They understand how the corpus of economic propositions can itself remain positive, even though it combines with plausible humanitarian value judgments in supporting a libertarian political philosophy.

Is Rosen's focus on the processes of competition a fair sketch of what is central to Austrian economics and differentiates it from neoclassicism? The two schools' treatments of competition do characterize their differences but hardly exhaust them. In neoclassical competition, buyers are typically price-takers, while sellers face flat demand curves (in pure competition) or downsloping demand curves (in imperfect competition) and maximize profits accordingly. The Austrian conception is closer to the everyday understanding of competition: rivalry to gain customers by better service, and not necessarily in price alone but in other dimensions as well. Machovec (1995) reviews how classical and Austrian insights into the competitive process became lost from the neoclassical mainstream.

Where does lack of the Austrian perspective takes neoclassical economics furthest off track? Neoclassicism downplays the reality of fragmentary, scattered, unarticulated, and undiscovered knowledge. Neoclassicals tend to treat information as something objective, bought and sold on the market, in carrying out maximization decisions. They tend to ignore the role of knowledge that simply does not exist before entrepreneurs discover or create it (Huerta de Soto, 1996, p. 5). The big economic problem comprises more than just scarcity and choice. Equilibrium is not automatic and is in fact never reached. Entrepreneurs have wide scope and play a central role. All this gets shunted aside by fascination with the maximization of an objective function subject to known constraints.

Criticisms of Austrian Economics

As a mere fellow-traveler of the Austrian school, and not even of it alone, I am bound by no party line and am free to reject some favorite positions of many (not all) Austrians. These include the specifics of their business-cycle theory, their ultra-subjectivism in value theory and particularly in interest-rate theory, their insistence on unidirectional causality rather than general interdependence, and their fondness for methodological brooding, pointless profundities, and verbal gymnastics. Provoked by mainstream abuses of mathematics, including the frequent merely decorative and pretentious use of symbols, some Austrians have wanted to ban mathematics from economics. But is it not arrogant for someone who does not see how to use certain techniques constructively to suppose that no one else will ever

see how either? These Austrians should remember how, in other contexts, they emphasize the openness of the future and scope for novelty.

My next complaint presupposes knowing that fairly distinct groups of Austrians are active or have studied at New York University, George Mason University, the University of Georgia, and California State University at Hayward. Others are associated with, though not necessarily located at, Auburn University's Ludwig von Mises Institute. Still other Austrians are scattered elsewhere in the United States and abroad, with a few even in Austria. Some of these groups severely criticize not only mainstream economics but each other. Interpreted optimistically, their mutual criticisms betoken a dynamic research program. On the other hand, infighting among the various Austrian sects sometimes threatens to make the whole school look ridiculous, especially as some of the combatants, fortunately few, employ questionable tactics of scholarly controversy. While not all is well in the Austrian camp, the same is true, for different reasons, in the neoclassical camp—more on this later.

Rosen stresses a criticism related to the Austrians' distaste for mathematics. He prefers the mainstream practice of manipulating precisely specified models to obtain precise results. The Austrians, in contrast, dislike pursuing the consequences of "given conditions," which "greatly limits the empirical scope and consequences" of their theory. They shun "what they consider to be 'routine' mathematical optimization problems that underlie much of empirical economics." Some Austrians go so far as to suspect an affinity between statism and a passion for statistics. Austrian empirical work consists mainly of historical case studies, but Rosen finds the uniqueness of each case limiting the usefulness of that approach.[1] He expects a more quantitative approach to remain dominant, thus already alluding to a market test and a notion that "dominant" means "better."

If Rosen's critique of Austrian nonempiricism is on target, it hits an outer ring, not the bull's-eye. First, an intellectual division of labor can be legitimate and fruitful; a diversity of research styles is not a weakness but a strength of the discipline. Second, the frequently narrow and honorific use of the term "empirical" is misleading. Austrians do take seriously the most pervasive and dependable facts about empirical reality. These include human purpose and other introspectively known realities, scarcity and the necessity of choice, the phenomenon of diminishing marginal returns, and the fragmentation of knowledge. They include other features of the real world that unavoidably restrict atomistic competition to being the exception rather than the rule and that accord entrepreneurs a large role in the working of markets. Further observed facts are that sellers are typically not selling as much of their output or labor as they would like to sell at prevailing prices, that most prices and wages are not determined

[1] Yet hear Herbert Simon (1992, p. 1504), reviewing studies of firms and government agencies: "Although case studies are only samples of one, such samples are infinitely more informative than samples of none. . . . [V]alid hypotheses are more likely to emerge from direct, intimate encounter with organizations than from speculation."

impersonally but are consciously set (although set with an eye on supply and demand), and that these and other circumstances cause or reveal price stickiness (a fact crucial to macroeconomics). Facts are facts, regardless of whether they are known in a methodologically fashionable way. Austrians are guilty less often than the neoclassicals of what P. T. Bauer (1987) aptly diagnosed as "the disregard of reality."[2] Austrians do not confine the honorific term "empirical" to propositions dug out by arduous econometric labor and, after all, of doubtful general validity (as distinguished from possible validity in specific historical circumstances).

Readers should not misunderstand Ludwig von Mises's calling economic theory (unlike economic history) an "a priori" science. Mises used the term in an unusual way. He referred to empirical axioms like the ones alluded to above, ones inescapably obvious even to mere armchair observation. Rosen himself recognizes that large-scale, gross, nonnumerical evidence often is more secure than quantitative evidence, and often quite useful (compare Summers, 1991).

Austrians are also more fact-oriented in recognizing what methods have and what methods have not been relatively fruitful in the progress of economic thought. As for predictions, Austrians take another fact seriously: the economic world is an open rather than closed system and as such has an unknowable future. Except, perhaps, for short-run extrapolations or in identifying wide ranges of possible outcomes, numerical forecasts cannot be reliable. A pretense of satisfying unsatisfiable demands for forecasts is intellectually disreputable. The best that can be supplied are qualitative predictions, recognitions of patterns, and explanations of the likely consequences of contemplated actions. Such predictions are well worth heeding, as their frequent disregard in policymaking illustrates by contrast.

Austrians make too much of defining and interpreting entrepreneurial activities, says Rosen; since we cannot measure them, we cannot assess their importance. My reply is the standard remark about keys and lamppost. Again we see the difference between a narrow empiricism that looks only at numbers and a broader empiricism that draws on direct observation. Rosen does recognize, on the other hand, that ignoring entrepreneurship constrains the neoclassical view of competition, and on this topic he expects the largest gains from intellectual trade.

Rosen faults the Austrians for not spelling out empirical criteria for assessing the performance of an economic system. While neoclassical welfare economics must respect given preferences and technologies, Austrians are willing, as he notes, to ask "what kinds of social institutions and rules of the game make for a good society." Well, good for the Austrians. The concepts of theoretical welfare economics, though applicable in certain exercises, are no substitute for no-holds-barred analysis of how alternative sets of institutions are likely to facilitate or impede people's pursuit of happiness.

[2] Mathematics and econometrics contribute, says Bauer (1987; p. 36), to inverting the "story of the Emperor's New Clothes. Here there *are* new clothes, and at times they are *haute couture*. But all too often there is no Emperor within."

The Neoclassical Mainstream

Neoclassicism is mainly concerned with establishment of equilibrium under known conditions. With the choice set, technology, preferences, and the number and varieties of goods all given and known, it investigates a well-defined solution to the resource-allocation problem. Rosen admires this approach. As he explains, neoclassical economists often apply the welfare theorems to describe an optimum or central-planning solution consistent with specified technology and tastes and then, "without studying individual maximizing decisions at all," suppose that markets somehow "must do it" that way. Rosen also notes that disequilibrium analysis is not possible in the neoclassical scheme, and the entrepreneur has nothing to do.

James Buchanan, who acknowledges Austrian influence but is no card-carrying member of the school, has noted such neoclassical features by way of severe criticism. He deplores the mainstream tendency to trivialize the economic problem by forcing all analyzable behavior into the straitjacket of maximizing an objective function under known constraints. Utility functions are presumed to exist independently of the processes whereby persons make actual choices. Concern with processes of voluntary agreement among trading parties gives way to the concept of an "efficient" allocation of resources existing "out there," against which all institutional arrangements are to be tested. Economics turns into applied mathematics or engineering. Actually, the economy does not have a single objective function to be maximized, nor does it have a single maximizer. No wonder Buchanan said that an article chosen at random out of any economics journal is unlikely "to have a social productivity greater than zero." "Academic programs almost everywhere are controlled by rent-recipients who simply try to ape the mainstream work of their peers in the discipline." (Quotations, paraphrases, and citations appear in Yeager, 1990, especially pp. 209–211.)

The academic respectability of various ideologies has shifted so much in recent decades that some self-conscious neoclassicals have now carried their free-marketry, along with their methodological prejudices, to the extent of its contaminating their positive analysis. This phenomenon is particularly evident in one of my own favorite fields, macroeconomics.

Unfortunately, many Austrians venture beyond such criticisms to make a bugbear of what they blanket under the label of "general-equilibrium theory." Yet there need be no tension between it and Austrian economics. During several years of teaching a course in general-equilibrium theory at the University of Virginia, I used Mises's and Hayek's insights about socialist calculation to illuminate general interdependence and the various tasks to be accomplished somehow or other in any economic system. General equilibrium illuminates opportunity cost—a favorite Austrian concept—in a way not otherwise possible. All too commonly, opportunity cost is defined in the context of choices made by a particular decisionmaker: the cost of a chosen course of action is the next best course thereby forgone. That definition, bringing to mind the considerations and even the agonies involved in making a decision, seems familiar to the layman. This deceptive familiarity trivializes

the concept. What requires the economist's expertise is explaining opportunity cost in a deeper sense—the wider social significance of money cost. What needs repeated explanation is how money costs reflect the subjectively appraised values or utilities of the other outputs and activities necessarily forgone if resources are withheld from them for the sake of the particular output or activity in question, as well as how money costs and prices transmit information and incentives. The mainstream apparatus can deepen the understanding of subjectivist insights so dear to Austrian hearts.

Success and Failure in the Marketplace of Ideas

Entrepreneurial ventures undergo a market test, and Rosen would put ideas to the same test. He sees "an enormous amount of evolutionary Austrian competition in the marketplace for ideas," even though "fashion and peer pressure" are sometimes at work. Austrians fare poorly in this competition. Their approach "excludes most of the things that most economists do"; few Austrians belong to today's professional economics community. "What is the fact that neoclassical economics has scored higher than Austrian economics on the evolutionary/survival test telling us?" Rosen rhetorically asks. He evidently holds it against the Austrians that they do not pass his market test in the intellectual atmosphere created by members of his own camp, an atmosphere pervaded by narrow yet tacit methodological preaching. (Tacit preachments are the worst kind, or so my thus-entitled article of 1995 argues.)

My colleague Roger Garrison is probably right in warning against "counting notches on academic armchairs." Partly for this reason, I have omitted capsule descriptions of work by contemporary Austrian economists. Since Rosen has raised the issue, however, I should mention the trouble that authors have generally had in the last 40 years or so in getting articles on Austrian themes into prestigious journals. Peter Boettke (1994, p. 604) notes some consequences:

> Most of the articles by the younger generation of Austrians that have appeared in the top professional journals are *strategic* articles. These articles take the form of either 'tenure articles' (that is, articles which do not even pretend to advance Austrian ideas but rather pass the professional test needed to earn tenure) or 'synthesis articles' (articles which find a sympathetic trend within the mainstream and then try to build a bridge to Austrian ideas—which are usually hidden in the footnotes). . . . Despite their strategic importance, however, these articles in themselves do not represent the kind of scientific work required to advance an Austrian understanding of the economic and social world.

Boettke and David Prychitko (1994, pp. 290-91) further explain pressures faced by young economists with Austrian inclinations:

> [T]o meet the formal, positivistic canons of the mainstream, Ph.D. candidates and especially untenured economists still committed to free market liberalism tend to switch their human capital investment to neoclassicism, to create and maintain a relative degree of professional respectability and acceptance. . . . Time and again young intellectuals born from the ideological womb of Austrian economics mature years later as scholars in the halls of the University of Chicago or UCLA. Reswitching back to Austrian economics seems all too costly once one's professional reputation has been established.

The central lessons of Austrian economics do not readily lend themselves to the kinds of embroidery that win high scores in the academic game as currently played. Yet this does not mean that those lessons are unimportant for understanding the real world. Reality embraces more than the academic game. At times, as P. T. Bauer has said (1984, pp. 160–61, 179; 1987, pp. 41–42), the most important duty of an academic is to keep on insisting on the obvious.

Rosen retells a lightbulb story which, in the version I heard, goes: "How many right-wing economists does it take to change a light bulb?" "None, because the free market will take care of everything." I wonder whether Rosen has fully absorbed the story's point. It takes a jab at theorists who tacitly regard the market as an entity in its own right, distinct from and superior to the mere human beings who interact on it. It takes a jab at the depersonalization of economics, as in neglect of the entrepreneur and as in a conception of competition that abstracts from rivalry. On my interpretation, the story's targets also include persons who see the supposed intellectual marketplace as a mechanism for differentiating between admirable and disreputable theories and methods. Actually, it is *individuals* who make appraisals. To rely on the supposed market test instead is to ride piggyback on the appraisals of other people, who may in turn be doing the same thing.

An example of appeal to the market test of merit occurred when board members of a professional association were discussing whether to nominate a particular economist for office. One member said in effect: "It doesn't matter what we here think of his work; let the market decide." He went on to name journals that had printed the candidate's work. I once served on a promotions committee whose members spent much time discussing the supposed prestige of the journals listed on the candidates' vitas. Not only had the other members evidently not locked through the articles themselves; they had not even noticed that one candidate had failed to make copies of his articles *available* for reading.[3]

A broadly similar appeal to the "market" occurs in a rebuff to calls for better

[3] The Department of Economics at the University of Virginia was better in this respect: it appointed committees to actually read the writings of promotion candidates and report back on their contents and merits.

writing in economics. Their numerical evidence persuades the authors that effort spent on better writing does not pay off in greater success on the market for acceptances and citations of articles (Laband and Taylor, 1992; McCloskey, 1992, responds appropriately).

Fallacies and Perversity of the Market Test

At least two things are wrong with such appeals to "the market." First, the metaphorical academic market is less responsive to the wishes of whoever the ultimate consumer may be than is the actual market in goods and services. The subscriber to journals has an influence more attenuated and more subject to manipulation by others than the influence of the consumer of ordinary goods and services. Editors and referees have scope for heeding fads and cliquish and personal considerations. They are not risking their own money. Subscribers face tie-in sales, which include association memberships and the supposed prestige of subscribing; and they have reason, anyway, to learn even about disagreeable fads. Customers have a harder time in the supposed academic market than in the real market knowing whether they got what they paid for. The analogy between the academic and business markets is further dissected in Bartley (1990, chaps. 6 and 7), Mirowski (1992, pp. 239, 247), and Mayer (1993, pp. 10ff., 84).

Appealing to the metaphorical market test is a variant of the fallacy of *argumentum ad populum.* Some kindergartners were studying a frog, wondering whether it was a boy frog or a girl frog. One child piped up: "I know how we can tell!" "All right," said the teacher, expecting the worst, "how?" The child beamed, "We can *vote*" (Fumento, 1993, p. 283). In another variant of this approach, an editorial in the *Wall Street Journal* drew an admiring analogy between the "market" of voting and the market in financial instruments ("Toward 2000," 1996).

I do not deny that the market metaphor can have some application. But as Roger Garrison asks, is the academic market more like the market for wheat in Chicago or the market for tulips in 17th-century Holland?

A second objection to the metaphorical market test is deeper than that the metaphor is defective. Since when, anyway, was the market, even the actual business market, the arbiter of excellence in consumer goods, literature, art, music, science, or scholarship? Since when does the market decide truth and beauty? A particular good or service passes a rather literal market test if the quantity produced finds buyers willing to pay at least its full costs. That result suggests that resources are not being diverted from alternative uses in which they could have yielded greater value to consumers. Success in a market niche, even a large one, has no deeper significance. All of us can name business successes achieved by catering to execrable tastes, and analogues occur in the academic world. (A healthy society affords scope for noncoercive criticism even of tastes; see Wright, 1951/1962, chap. 2.)

The case for the free market is something quite other than that it constitutes

the very criterion of what should be admired. An economist ignorant of the valid case is in real trouble.

The attitude of the board and committee members mentioned above, and of the child in the frog story, is the very prototype of the "secondhandism" diagnosed by Ayn Rand. The villains in her novels are secondhanders themselves or trade on the prevalence of that mind-set among other people. An ambitious secondhander seeks fame, prestige, admiration, envy—greatness in other people's eyes. The secondhander seeks not so much actual achievement as the reputation for achievement. Secondhandism means taking one's values from other people, especially people thought to be successful, admired and well-connected. It makes a virtue out of conformity to their standards or examples. A case in point is fawning over celebrities and the market value of their product endorsements. Secondhandism enters into "groupthink" ('t Hart, 1990). Discussions of the two phenomena differ largely in emphasis: those of groupthink focus on contexts in which it is likely to occur, those of secondhandism on the characters and attitudes of persons prone to it.

One variety of academic secondhandism is the quest for perceived influence on policy. A practitioner of the "realism" dissected by Philbrook (1953) compromises between advising the policy that he, as an expert, really thinks best and giving the advice he thinks most likely to be heeded. Philbrook sets forth several reasons why such "realism" is immoral. Furthermore, it promotes "[c]onfusion between advancement of knowledge and promotion of policy," which in turn "contributes to indifference to reality" (Bauer, 1987, p. 37). Confusion between the two quite different kinds of result also impedes assessment of professional competence (Bauer, 1959, esp. p. 107).

A probably more prevalent and insidious variety of academic secondhandism makes a virtue out of aping the people who congratulate each other on working at the supposed frontiers of the discipline.[4] It affects judgments about what questions are worth pursuing, what methods are worth using, and how much merit individual professors have acquired. Young professors do respond to the indicators of success applied (as noted by Boettke and Prychitko, 1994, quoted above), even if these indicators may sometimes lead to dysfunctional outcomes, just as manufacturers in the Soviet Union responded, often wastefully, to the success indicators applied by central planners. Heeding the criteria of the secondhanders obstructs the act of an independent mind trying to understand and teach how the real world operates. It undercuts the value and the joy of academic work.

I know a department head who unabashedly practices secondhandism. He awards points to journals for their supposed prestige. He awards points to articles for their length—the wordier the better—and for his prestige scores of the journals

[4] 't Hart (1990, p. 35) notes how "rituals and symbolism" reinforce a sense of "we-ness." In economics, the ritual of the model and use of mathematical symbols come to mind. So do psychological experiments in which group pressure seems to affect an individual's very perceptions, or reported perceptions, as of motions of an actually stationary point of light in a dark room or of differences between the lengths of two lines (Tajfel, 1968, p. 574).

where they appear. He awards points to their authors according to these scores of their articles and to citation indexes. This supposed measurement, which spares its practitioners actually having to read people's writings and come to grips with ideas, joins with academic politics in decisions on salaries and promotions. The person in question even does supposed research of his own on this sort of measurement, as if it were equivalent to investigating the real economic world. Academic narcissism joins academic secondhandism.

Ideally, scholars build on and criticize each others' work in their efforts to advance knowledge. Counting citations to measure excellence is something else again. It is parasitic on the pursuit of knowledge, and even subversive of it if the workers in a field take account of extraneous influences that citations may have. Of course, not all ideas and approaches deserve equal attention. As P.T. Bauer has remarked somewhere, if everyone has his say, no one can be heard. Scholars must have some notions of standards and of fruitful allocations of their own time and energy. The pernicious thing is subversion of genuine standards by outsiders practicing parasitical secondhandism, sometimes garbed in spuriously scientific quantification.

Rosen, with his notions of success in the marketplace of ideas, unintentionally aids and abets that sort of thing. He aids and abets resulting pressures to climb onto bandwagons.[5] He now qualifies his notions with reference to the long run: eventually the market test works and correct doctrines and fruitful methods tend to prevail. I too want to believe so. Examples come readily to mind, however, of false but long-dominant ideas in natural science, medicine, geography, and even economics. Anyway, no impersonal market achieves the eventual triumph of truth. That result depends on honest and competent men and women exercising their own independent judgment even against prestigious opinion. Furthermore, invoking the long run in defense of the market test is an example of what Karl Popper would call an immunizing stratagem: evident failures can be talked away with the claim that they will turn into successes eventually.

First-hand appraisals are not always possible. In everyday life we must take most of our beliefs and bases of action from other people. Time is scarce and division of knowledge necessary. Academic administrators and committees may understandably feel a need for outside help in assessing the qualifications and character of a candidate for a post. In certain circumstances, however, we as individuals have a duty to express judgments of our own. Then we are derelict if we subordinate our own direct knowledge (as of candidates' personal and professional characters) to the opinions of other people. If an element of secondhandism sometimes seems necessary, we must recognize it as a shortcut and seek to reduce its influence, rather than praise our expediency in the name of some sort of market test. Above all, we academics have the professional duty of

[5]Machovec's story (1995) of what happened to the concept of competition illustrates the harm done by bandwagonry, by obsession with what is thought most publishable thanks to attunement to contemporary notions of the frontier of research.

treating secondhandism, groupthink, anti-intellectualism, phony quantification, diversionary narcissism, and perverse success indicators with the contempt they deserve.

Complementary Schools

Schools in academe—groups of scholars working on favorite topics and with favorite methods—have value. Scrutiny within and across schools can shoot down bad ideas and empty fads. Schools can help motivate research by giving their members the presumption of a sympathetic audience.

Scholars should approach each school (and each sect) for what they can learn from it, not as a target of polemics for polemics' sake and not as a foil for self-congratulation. The neoclassical and Austrian schools, each stripped of excrescences, are complementary. Aspiring Austrian economists should indeed take the standard Ph.D. courses. Austrian economics is ready again to contribute, as it once did, to the mainstream. Contemporary Austrians have been setting good examples in their work on comparative systems, economic history and entrepreneurial history, industrial organization, labor economics, monetary and financial theory and institutions, other market institutions for coping with ignorance and uncertainty, the history of thought, and political philosophy. Austrian macroeconomics has much and could develop more in common with new Keynesianism (which in its fundamentals, despite its label, is neither new nor Keynesian). Even in fields usually considered remote from distinctively Austrian interests, criticism from an Austrian perspective, like scientific criticism generally, can exert healthy discipline.

If the neoclassicals who are obsessed nowadays—apparently without even realizing it—with methodology, prestige, and frontiersmanship can shake off these obsessions, and if, further, they can resist the badgering of parasitical secondhanders, they can reap gains from trade with the Austrians.

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