

History of Economics Society, Fairfax, Virginia, June 2007

Reply to Comments by Sandra Peart and David Levy

On *The Bourgeois Virtues*

Dears:

I am most distressed that I cannot be with you this morning. The air traffic system broke down yesterday, Friday, and after six hours in O'Hare they sent us home with no prospects of flights to the D.C. area until Saturday night. It makes one our favorite points as the philosophers of prudence: heavy government regulation just might not be the very best way to provide air traffic control.

I have seen at least David and Sandy's penetrating comments, and can respond to them.

I certainly accept the claim that I am by now, in this book, a Knightian, and am flattered to be mentioned in such company. I met Knight only once, thanks to Roger Weiss, an economist in the College at Chicago. But being young and technical I did not take advantage of the introduction, and read little of Knight. Einstein and Schumpeter, too, were treated this way by their younger colleagues. The physicist Lee Smolin described Einstein recently, honoring the 30th anniversary of the first *Star Wars* movie, as "the Yoda of Princeton." But he noted that Einstein's irritatingly big questions and his irritatingly vague answers are coming back into their own in physics. The same is true of Knight and Schumpeter in economics. The older and wiser I get the more clearly I see that Knight was correct.

And, yes, the problem is "fixed ends." At least that is one way of expressing the

impatience that Knight had for a life of Max U Only, and the case I make in the book for multiple ends. I like the emphasis on games that David and Sandy put, and the startlingly complete cashing out of the notion in the quotation from Knight. Schumpeter would have approved, as a lifetime game player in his own spheres---you recall his famous ambition to be the world's greatest economist (succeeding at that game), the world's greatest lover, and the world's greatest horseman. "Things are not going so well," he would invariably add, "with the horses." Seriously, now: Schumpeter thought that the reason capitalism would fail once it had succeeded is that the faith and hope and love and courage necessary to give a point to a life would disappear with the entrepreneur. The game would not be worth the candle. Rationalization---a feature of modern life that I argue in the book is largely phony---is supposed by Schumpeter to drain away "traditions, beliefs, religious beliefs, . . . honor and beauty" (thus Joseph the conservative).

David and Sandra ask, "Is the 'problem' with capitalism that it fails on its promises or that it succeeds?" In that same O'Hare airport on Friday I spent my hours looking into Swedberg's collection of Schumpeter's writings, and Schumpeter answered just that question. Said "Joe" (he called himself that while in America): "it is the success of capitalism that kills it" (Lowell Lectures, IV, 1941, p. 355). By that he meant what Knight worried about, and what I said in the book, that bringing the game down to maximizing the consumption of even Ben and Jerry's ice cream, what a free market system does extremely well, can easily be mistaken for a point to life. "The point of life is to enjoy yourself," says a young friend, and wonders why when he reaches age 50, if that is true, he contemplates putting a bullet through his pleasure machinery.

Knight's game metaphor is a good, if somewhat masculinist one---I would prefer a

metaphor of, say, quilting or, even better, conversation. And of course that gets down to Knight's and Rawls' and every liberal thinker's fascination with ideal speech situations. I think the next step in thinking about creativity and the entrepreneur and government by discussion is to seriously theorize speech. No one does it. The problem is that a good conversation, such as the one we are having right now, is by definition one in which people are *not* incessantly, single-mindedly maximizing. That means that maximization is not going to give a lot of insight into truly creative conversation, or even conversation with oneself (both Hayek and especially Kirzner make this point, without seeing how it connects to humans as speakers). So our Samuelsonian tools, which most economists by now think just *are* economics, don't cut.

David and Sandy rather overemphasize the gospel of wealth as a version of the Good Person's Game. I spent some time on it in the book as one among many arguments suggesting that Marx was wrong to speak of capitalism as a system of greed, and Ivan Boesky was wrong to say to the kids graduating from Berkeley the year before he went to jail, "Greed is good." Redistribution to the poor is not---as Carnegie thought it was---a knock-down answer to the critics of capitalism, chiefly because the sums involved in all forms of charity are a depressingly small percentage of national income.

Capitalism is a game, all right. My book claims that it is in fact a Good Person's Game. But the book also claims that playing such a game can make you good. But let's take the next step---I'm trying to right now in Volume 2 of my apology for capitalism and the bourgeois life. Let's see the game as a cooperative game, largely, a conversation, which to fulfill its Aristotelian *telos* was show all seven of the virtues