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Perspectives on Michael A. Bernstein's *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America* *

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1. Introduction

Relying on intellectual, social, and political history, *A Perilous Progress* (Bernstein) takes the reader through a rich reading of the modern history of the American economics profession and its efforts to establish a professional identity as well as a public one. Focusing on the professional reputation and credibility of economics and economists, it tells the story of the profession's struggle for influence over economic policy-making during the twentieth century. In Bernstein's opinion, this endeavour was characterized by a tension between, on the one hand, the pursuit of professionalism through rigor and precision and, on the other hand, the quest for political influence calling for flexibility and openness in response to practical demands. His

narrative starts soon after the formation of the American Economic Association (AEA), proceeds through the Great Depression and World War II to the post-war era when economists' influence was at its peak. Decline set in as the century neared its end. In short, Bernstein's is a story of rise and fall, the former culminating in the Kennedy tax cut of Keynesian New Economics of the 1960s, and the latter in the bending of economics to political agenda under the aegis of the New Right from Reagan onward.

The narrative is highly ironic. Bernstein tells it essentially as follows. World War I transformed the context of economics by stimulating professionalizing efforts as well as the pursuit of political influence. Despite the fact that economists emerged from relative obscurity and questionable stature in the first decades of the century to petition government in the Depression with a reasonably clear and singular voice, they were almost entirely ignored. The decidedly mixed record evidenced during the interwar period showed, in Bernstein's opinion, that economists were especially unprepared for the challenges posed by the Great Depression. However, their fortunes changed with World War II. By accelerating change, the war endowed economists with additional resources and offered them renewed opportunities to prove themselves. During this period, they demonstrated not only the practical military value of the tools of economics, but also economists' detached professionalism in government service. Bernstein believes that the Cold War era bestowed remarkable self-confidence and prestige upon the American economics profession. But having translated wartime social respect into macroeconomic leadership in form of the Kennedy Council of Economic Advisors (CEA), economists found themselves returned to obscurity and irrelevance again with the avalanche of conservative support for an untested and unexamined supply-side economics. The poor economic performance in the 1970s and 80s had caused professional economics to regress and retrench behind a new *laissez-faire* doctrine, in Bernstein's analysis. Torn between going along in the interest of having any influence at all and turning their collective backs on the political use of economics, the field and its practitioners found themselves essentially confined to academia by the century's end, basically back where things began at the century's beginning, at least with regard to making any significant contribution to public policy.¹ In the process, American economics moved from immense public prestige to withered public purpose, from public influence to scholastic inversion. At the same time, it came to deny the social setting of economic problems that had strengthened its own status. In Bernstein's (:4) words: 'While they often celebrate the virtues of market systems that function independently of statist intervention, American economists have themselves most ironically been the creatures of a history powerfully and dramatically configured by statism itself'.

The book is highly ambitious in that it deals with a broad and complex subject matter covering more than a century. As the title suggests, it is much more than a history of economic theory or technique, since the author places his story squarely in its social and cultural context. The volume is more than a history of ideas, or an intellectual history of economics; indeed some of the more conventional members of our discipline may feel that Bernstein gives too much weight to the sociology of knowledge, professionalization, and the status and influence of economists in the public policy process. In casting his net so wide, Bernstein exposes his work to a variety of scholars with specialized interests and biases. The reviewers feel sympathy towards projects such as this, which are so wide ranging that mistakes over detail are almost inevitable. In this spirit, they would like to offer some constructive feedback.

2. Constructive criticism

In our opinion, Bernstein offers the seeds of an intriguing explanation missing from existing discussions of the rise of formalism in American economics and economics worldwide by connecting it with economics' abandonment of the public stage. His story — particularly in its focus on the changing conception of the CEA — exhibits an unresolved tension between economists' pursuit of disinterested professionalism and their interested promotion of presidential economic policy.² The latter ambition in its left incarnation, as expressed by such

individuals as Leon Keyserling and James Tobin, was candid that social values were instrumental to good economic analysis. But in its subsequent right incarnation, as reflected in Arthur Laffer's inverted u-shaped tax curve, promotion of presidential agenda was disingenuously presented as if value-neutral and professionally disinterested. The supply-siders, that is, had their cake and ate it too. But we suggest that they also helped legitimate a new model of economic analysis as essentially formal in nature. Formalist economics is often seen as simply abstrusely quantitative, but perhaps a better characterization is an economics that has no grounding in empirical reality and yet claims the mantle of pure science. Laffer's analysis, although very modest by the standards of formalist economics before and after, was notable, Bernstein tells us, by virtue of its almost unique combination of influence and not being subjected to any serious empirical scrutiny. Laffer, we might thus say, set the standard for formalism in economics and, moreover, did so in the public arena. After Laffer, then, economists might spin out all sorts of formal dreams and yet still commend themselves as being pure scientists, however value-laden their analyses. At the same time, *A Perilous Progress* espouses a certain set of values itself, to which we now turn.

2.1. American Economic Association

While Bernstein's use of language is satisfactory from a literary point of view, it is at times elusive, colourful and overdramatic.³ A conspicuous example is the book's title, *A Perilous Progress*, when viewed against the history of the most important and durable organization of economists: the AEA.⁴ That body did, of course, experience periodic external shocks and consequential slow expansion; but in no case, except perhaps the 1890s and early 1900s, was it ever in danger of collapse or disintegration. Indeed, on the contrary, one of its most striking features was its continuity, stemming directly from the politics and behaviour of its principal leaders.

There were, of course, periods of difficulty — for example World War I, when some of its leading members were attacked as pro-German; the depression of the early 1930s, when many members could not pay their dues or subscriptions to AEA publications; and the so-called McCarthy period. The latest, and much less serious, threat to the Association's scholarly survival arose in the 1960s. But this potential threat from within was much less significant than the comparable problems encountered by most of the other national social science organizations. Bernstein does not discuss these episodes, nor does he attempt to draw any conclusions from them. Even if these episodes were mentioned, this is scarcely justification for retaining 'Perilous' in the title of the book.⁵

The last example of a threat to the AEA, and incidentally to the economics profession, was of a very different character from the previous ones, since it was launched from within the organization rather than by outsiders. However, it obviously reflected strains and stresses within American society, for example, the persistence of poverty despite the post World War II prosperity; serious urban unrest, fuelled in part by racial conflict; the civil rights movement; the rise of feminism; and — most prominently and stridently, the anti-Vietnam War protest campaigns. The principal pressures and events in the story have been treated elsewhere and need not be repeated here. The most important conclusion to be reached is that the AEA, unlike some of the other prominent national social science associations, emerged largely unscathed, despite certain protests and some heart-searching by the body's official leaders. The same cannot be said, however, of the national organizations of sociologists, political scientists, historians and anthropologists. In each case there were serious prospects of splits among members, changes in the organization's leadership and constitution, and strong policy declarations directed at contemporary events. It is a mistake to regard these affairs as trivial simply because they were transitory. But the most interesting feature of these episodes is that the AEA was never seriously challenged, even though a national division between competing groups seemed likely at one point.

At a rough count, there were only four or five periods in the 'progress' of American economics, especially in terms of its principal organization. Of these, only the first could seriously be considered to have been 'perilous'

(from the 1880s to the late 1890s) for the fledgling body, and especially for some of its more conspicuous members, who it could be said were in jeopardy.[6](#)

2.2. Taking economics seriously

As noted earlier, Bernstein does not approach his subject from a position of neutrality. He has clear views and expresses them forthrightly.[7](#) This perhaps comes across most clearly when he is considering recent developments, where he castigates economists for their smug complacency and their participation in an ideological project. We suggest that this commitment means he has failed to take what, for want of a better word, we will call 'neoclassical' economics sufficiently seriously, as we shall now elaborate.

The interwar period was much more pluralist than the book suggests. Whereas institutionalism and neoclassicism coexisted, they were both also very pluralistic movements (Morgan and Rutherford ; Sent ,).[8](#) Institutionalism was a non-exclusive, broad movement and neoclassical economics was highly diverse as well. In addition, individual members of these groups adopted a variety of theoretical stances. Mary Morgan and Malcolm Rutherford (: 8) describe the situation as follows: 'Economists of the early twentieth century shared a kind of scientific economics (more often concrete than abstract), a moral commitment to ensure standards of scientific inquiry, and an evenhanded objectivity combined with advocacy. Pluralism was supported, not compromised by these standards.' Institutional economists started coming under attack in the 1930s, partly because they were unable to provide a set of policy recommendations that were considered to be successful against the Great Depression (Bateman). However, it took the watershed event of World War II for these to have the effect desired by the neoclassical economists.

In addition, the period's macroeconomics was very rich.[9](#) Bernstein inclines towards Keynes's view of the revolutionary nature of his own book, failing to acknowledge that Keynes's portrayal of what he called 'classical' economics amounted to a caricature. The *General Theory* grew directly out of the preceding two decades' macroeconomics. In important respects, it represented a narrowing of the subject compared with what went on before (Laidler ; Backhouse and Laidler).

Like interwar economics, modern economics is less homogeneous than Bernstein suggests (Mirowski).[10](#) For instance, a distinction ought to be made between the contributions of the University of Chicago Economics Department (in particular Milton Friedman and George Stigler), the Cowles Commission at the University of Chicago (especially Kenneth Arrow and Gerard Debreu) and the Massachusetts Institute of Technology (most notably Paul Samuelson). And the insights developed there differ significantly from the mathematical formalism of the game theoretic approach of John von Neumann and Oskar Morgenstern, which, in turn, was quite distinct from the game theoretic contributions of John Nash. And how would efforts to incorporate bounded rationality approaches, behavioural insights, chaos theory, complexity approaches and experimental methods fit into the narrative offered by Bernstein? Addressing such questions would allow us to embrace the richness of the history of economics rather than to ignore it through an overly limited focus on methods used and phenomena discussed.

Considering macroeconomics, it produced the new classical macroeconomics, about which we share Bernstein's scepticism. Yet, there are alternate pathways for this history that make the Keynesian intrusion more like the odd Cambridge episode well-tamed.[11](#) Keynes never had the individualist obsessions that generated the American call for microfoundations for macro and the neoclassical synthesis.[12](#) Thus, his domestication in America might rather be a sign that belief in the market's virtues was the bedrock upon which American economics was always built, rather than a sign of reversal for economics and economists in the public domain after Kennedy. On this reading, the collapse of Keynesianism and the emergence of the privatization movement were not two separate, historically disjointed processes, but rather one expression of a single view of public and private that had been temporarily in abeyance in the US as a consequence of the exceptional circumstances of

World War II. Complicating the narrative further, alongside Robert Lucas and Robert Barro, modern economics has also produced Joseph Stiglitz, who has challenged the relevance of the supply-and-demand way of thinking on which so many contemporary arguments rest.¹³ When account is taken of these, the ideological dimension is much less clear (we do not deny that it may be there — merely that more work is required to unravel it).

Economists may have been overly optimistic but it is possible, because problems involving social order are so complex, that progress can be made only on small problems. Narrowly defined problems may be the ones where most progress can be made. If this argument were accepted, it would make the theoretical choices made by modern economists seem more rational. Although we are sympathetic towards Bernstein's view that greater historical awareness would make for better macroeconomics, we would be somewhat more tentative in claiming this. It may be the case that economists have to make progress on smaller, narrower questions, where the merits of historical perspective are less evident before they can answer the broader questions to which we would like to have answers.

These points concerning pluralism and economic problem-solving are relevant for Bernstein's big thesis about the rise and decline of the economics profession's influence because his perspective causes him to identify the profession's power too much with macroeconomic management and Keynesian economics and to see the waning of Keynesianism as a return to a pre-Keynesian classical economics. We do not quarrel with his focus on the CEA in the 1960s. Important at that time, it was a tribute to the influence of the profession and it is correct to cite it as an example of the growing influence of economists. However, even if the power of economists concerning policy through the CEA has declined, it is arguable that economists' influence has never been stronger.¹⁴ There has been a shift away from direct macroeconomic management by the government towards delegating to central banks the responsibility for hitting certain targets using monetary policy. To this extent, Bernstein's thesis is right. However, that does not represent a loss of influence for the economics profession. To the contrary, it is arguable that academic economics permeates central banks and other policy-making organizations as never before. McCallum () has argued that in recent years economic analysis has played an increasing role in policy and that it is difficult to distinguish work done in central banks from that conducted in academia. To view it as a reversion to classical ideas or to minimize the role of the economics profession in the outcome is a mistake.

More important than this, over the past couple of decades, economists' ideas have come to permeate thinking on an enormous range of social and political issues, from the design of tax policy to the provision of education and healthcare. The current fashion for creating markets in ways that would have seemed impossible in the 1970s shows the influence of the economics profession, not its decline. The CEA may be less influential, but the same cannot be said of the US Federal Reserve, the International Monetary Fund, the World Trade Organization or the World Bank, all whose work is infused by American economics.

2.3. From a European perspective

Shifting our focus, readers of the *European Journal of the History of Economic Thought* would undoubtedly like to see Bernstein elaborate the twentieth century connections and disconnections between the American and European branches of the economics profession.¹⁵ The American narrative of *A Perilous Progress* needs to be framed by another, larger, international perspective that Bernstein does not examine, which paints a quite opposite picture of the fate of American economics and economists at the last century's end.¹⁶ As many will attest from European economics, American approaches to economic theory, empirical and econometric practices, roles in international agencies, professional systems of organization, social values and, indeed, individual reputations have been dramatically extended worldwide during precisely the same period in which Bernstein sees economics' public persona in decline in the US. Indeed, if American economics now plays a small part in guidance of US domestic affairs, it has done much to make up for this by re-making economics

internationally in its own image. This international influence, moreover, is hardly insignificant when it comes to international social and economic policy, both within other countries and across them. Global neo-liberalism, as manifest in the commitment to free flow of goods, technology and especially capital internationally, constitutes the dominant view of global economic integration today. While others in the world have had their own reasons for signing on to this historical project, few would deny that its chief impetus not only comes from the US, but also from the theory of the economy as primarily a market process, which American economists have so steadfastly defended for the last half century.

Considering the American–European connections in more detail, Bernstein's suggestion that Tjalling Koopmans, a Dutch physicist-turned-economist, played an important role in the future course of economic theory raises the question about the influence of European immigrants on the course of American economics.¹⁷ Bringing with them varied scientific, political and cultural backgrounds and personal experience, these Europeans arrived in and contributed to what was often a radically new environment. What were the effects of European immigrants on the American intellectual communities receiving them? In those cases where there was a subsequent return to Europe, what were the effects of such a double displacement on European as well as American economics? And Bernstein's remarks about American economists going overseas raises the opposite questions concerning the influence of Americans on the course of European economics. What were the effects of Americans on the European intellectual communities receiving them? In those cases where there was a subsequent return to America, what were the effects of such a double displacement on European as well as American economics? In fact, Bernstein leaves the door wide open for such questions by devoting a significant part of the epilogue of *A Perilous Progress* to the bestowal of the 1975 Nobel Memorial Prize in Economics on Tjalling Koopmans of Yale University and Leonid Kantorovich of the Soviet Union's Academy of Sciences. Surely this suggests that the American branch of the profession must not be viewed in isolation. We shall offer additional arguments to support this claim.

Bernstein's lack of engagement with European economics might be justified if the situation had always been as in the late 1980s, when Richard Portes (: 1330) asked 'whether there is now any economics outside and independent of the United States. All the data confirm American leadership.'¹⁸ Portes's analysis provoked a lively debate that is best reflected in the *Kyklos* symposium, edited by Bruno S. Frey and Rene L. Frey: 'Is there a European Economics?' (Frey and Frey) or in Bob Coats's (,) enduring efforts to analyse the process of production and spread of economics at an international level. No doubt the internationalization of economics after 1945 was also largely an Americanization of economics. The strong ascent of American economics after World War II not only reflects the United States' political and economic leadership role and the pragmatic and technological orientation of the Americans but is also the consequence of a national style of economic research that is characterized by a high degree of specialization and applied work. Harry Johnson (,) has regarded these features of American economics, in connection with the establishment of a systematic graduate education in the leading universities that gave students command of the necessary mathematical and econometric tools, as decisive for the ascending importance of American economics after World War II.

Whereas Bernstein comments on the role of American economics going overseas, he does not reflect on the influence of European immigrants on the development of American economics, in particular in the critical period 1933 to 1945. For instance, Samuelson pointed out: 'The triumphant rise of American economics after 1940 was enormously accelerated by importation of scholars from Hitlerian Europe' (Samuelson : 319). In economics, as in most sciences, the United States were the final destination for about two-thirds of the German-speaking émigrés who contributed to the international standard of research and made many outstanding graduate programmes possible in the early stage. After evaluating the impact of immigration on economics in America on the basis of the Social Sciences Citation Index, Frederic Scherer (: 622) concluded for the five-year period 1966–70 that 'the citations received by the German-speaking émigré scholars were roughly equivalent to the adjusted

citation output of the first-ranked Harvard and second-ranked MIT plus the nineteenth ranked University of Illinois economics department'. One should go one step further and consider not only the emigration from fascist countries but also from Stalinist Europe. As Frey and Pommerehne () have shown, the Soviet Union lost twenty-four of its thirty-six most outstanding economists, of whom some (e.g. Simon Kuznets) came directly to the United States, while others (e.g. Wassily Leontief and Jacob Marschak) arrived indirectly. Whereas the successor states of Austria-Hungary lost thirty-six out of their fifty most eminent economists, the United States gained a total of 161 through immigration, which is one-third the number of eminent economists born in the United States.

The impact and the experiences of refugee scholars in America have been analysed in a vast literature.¹⁹ With regard to economics, Craver and Leijonhufvud (: 175) have rightly emphasized that 'on the whole ... those immigrants who tried to maintain their distinctly European scholarly identity appear to have been less influential on the development of the profession in America'. Exceptions were the New School for Social Research during the Roosevelt period and the seminar conducted by Ludwig von Mises at New York University, which basically kept the character of his former private seminar in Vienna. Through his students, who included Israel M. Kirzner and Murray N. Rothbard, Mises's influence grew considerably and the ideas of 'Austrian economics' in the United States have come to form a significant part of the heterodox approach in economics that maintains a critical distance from the more mathematical and econometric focus of the neoclassical mainstream. The same holds, at the other end of the political scale, for the New School. It is a pity that Bernstein mentions this institution only once, in the context of his heroes Wesley C. Mitchell (who in 1919 was one of the cofounders), Thorstein Veblen and John R. Commons, and, despite his emphasis on public purpose, never reflects on its later activities. He thereby neglects Gerhard Colm, who made very important contributions as a policy advisor in the 1940s and early 1950s in the Bureau of the Budget and as Senior Economist in the CEA, and basically conceived the currency reform in West Germany of June 1948, which was so successful that the United Nations sent him on a similar mission to Korea in 1953.

Among the most important contributions of émigrés is the foundation of modern game theory by John von Neumann and Oskar Morgenstern. The long sought-after cooperation between the Budapest-born mathematician, who got his habilitation from the University of Berlin in 1927, and the former director of the Austrian Institute for Business Cycle Research in Vienna from 1931–38, could only materialize after the latter's stay at the Institute for Advanced Study in Princeton in the years 1939–43. The importance of the theory of games for the application to strategic choice problems and national defence planning in the cold-war period is rightly stressed by Bernstein.²⁰

The work of the Cowles Commission for Research in Economics since 1943, when Jacob Marschak moved from the New School to the University of Chicago to become the new research director, was of decisive importance for the process of mathematization of economics and the triumphant rise of econometrics. Although the Econometric Society had already been founded in 1930 with the Yale economist Irving Fisher as its first president, two of the most outstanding representatives, Ragnar Frisch in Norway and Jan Tinbergen in the Netherlands (who later shared the first Nobel prize in economics in 1969) remained in their home countries, which were both occupied by Nazi Germany in 1940. Nevertheless, many European-born economists were enthusiastic participants in the econometric revolution and active in the United States during the war years and thereafter. Foremost among them were the Dutchman Tjalling Koopmans, who succeeded his friend Marschak as the Cowles research director from 1948–54, and the Norwegian Trygve Haavelmo, a former student of Frisch whose early works from the years 1943–44 on the modelling of a system of simultaneous equations and the probability approach in econometrics laid the foundations for the two pillars that would become the trademark of the Cowles Commission. Astonishingly, Koopmans is the only one mentioned in Bernstein's saga, which therefore also misses the important question of why Europeans did play such a prominent role in this Cowles

Commission story. The question is addressed, however, by Craver and Leijonhufvud (: 181), who point to the fact that persons like Marschak, who lived in Europe in the interwar period and first had fled Lenin in 1919 and then emigrated a second time from Hitler's Germany in 1933, had a strong tendency 'of building a *wertfrei* social science, immune to propaganda of every kind'.

It should also be mentioned that after Joseph A. Schumpeter had been elected President of the AEA, ten more presidents of the AEA (Simon Kuznets 1954, Gottfried Haberler 1963, Fritz Machlup 1966, William Fellner 1969, Wassily Leontief 1970, Franco Modigliani 1976, Jacob Marschak and Tjalling Koopmans 1978, Gérard Debreu 1990 and Zvi Griliches 1993) were born in continental Europe, of whom five (Kuznets, Leontief, Koopmans, Modigliani and Debreu) received the Nobel Prize. Modigliani and Debreu had also been associated with the Cowles Commission as young researchers.[21](#)

A Perilous Progress rightly stresses the significance of the Office of Strategic Services (OSS), the forerunner of the Central Intelligence Agency (CIA) and the United States's first secret service founded by President Roosevelt during World War II, and the Rand Corporation in California, founded by the US Air Force after World War II to retain several of the experts who had contributed to the war effort for the subsequent evolution of mathematical economics and econometrics. The book also mentions the recruitment policies of the OSS, directed by the Harvard economist Edward S. Mason, due to which many famous economists came to work for the OSS assessing the enemies' economic and military capabilities (p. 80). Some of the names in Bernstein's list, such as Leontief and, in particular, the Marxist economists Paul Baran[22](#) and Paul Sweezy, suggest leftist leanings. What may seem odd to today's critics of the CIA is 'the connection during and after the war between so many former leftist intellectuals and institutions like the OSS and the Rand Corporation' (Krohn : 176). However, at the time it made sense for many emigrated economists with expert knowledge of the German war economy to work for institutions such as the OSS. Some of them made their long-time United States careers that way, such as Herbert Block.[23](#)

After this focus on the 'European gaps' in Bernstein's story, we now proceed to some concluding observations.

3. Concluding comments

The history of economics, as of any social science, is (or should be) a house of many mansions, with a number of open doors and many transparent (and clean) windows. In this spirit, Bernstein's book is a veritable goldmine of sources on American history, politics, economics, sociology and many other topics. No less than ninety-five of its 359 pages are devoted to Notes printed in double columns.[24](#) It offers a thought-provoking critic's perspective that should give stimulus to economists to reflect more intensively on the development of their own subject. There are some insufficiencies, as, for example, the interwar period — the 'years of high theory' — was much richer than comes out in Bernstein's work, as well as modern economics in all its varieties such as experimental economics, new institutional economics, etc. Bernstein also has a certain tendency to great phrases and expressions that contrasts with a lack of precision, or sometimes even slips in the theoretical argument (as, e.g., with regard to Muth's rational expectations hypothesis). In addition, we feel that Bernstein too quickly closes the door concerning the complexity of the ideological dimension in the use of market mechanisms.

Those with a political persuasion different from Bernstein's might see Keynesian economics as the triumph of an ideology and its decline as a return to scientific truth. We would rather suggest that there have been ideological shifts, in which the economics profession has played an important part. However, the nature of that role has yet to be established. To uncover this, it is, we suspect, necessary to delve further into the sociology of the profession and perhaps into the sociology of academic and intellectual life more generally. The changes that have taken place in the economics profession and in the way in which economic ideas enter into economic life (both central to the book's story) are linked to changes in the relationship between private organizations and

government, and the way in which both are involved in science; economics, like science in general, is bought and sold and the nature of the market has changed significantly during the post-war period. The 'Globalized Privatization Regime' is not the same as the 'Cold War Regime' (see Mirowski and Sent) and this needs to be taken into account. Some of this may be covered by Bernstein's discussions of 'statism,' although we would have liked that term to be defined rather more precisely. In short, although we can understand why the book could not do this in any detail (the documentary evidence would not be available to the author), we wanted an account of the contemporary AEA to match that with which the story started.

There is much that is fascinating and important about American economics in the twentieth century in Bernstein's *Perilous Progress*. But most valuable in our view is how he tells the history of this economics, not as a succession of ivory tower episodes but as primarily a story of economists' engagement with public policy. The standard view today is that policy application is something of an afterthought for economists who are more motivated by subtle questions of economic theory. Bernstein rather suggests that theory comes in the train of policy, and far more intentionally so than most economists generally choose to admit. For this we wholeheartedly applaud him. We, therefore, believe that *A Perilous Progress* should be essential reading for every economist who wants to expand her or his horizon of the subject.

Notes

* *A Perilous Progress* was recently republished in paperback by Princeton University Press.

1. Economists, however, have retained significant influence in the collection of economic numbers, whose categories and organization remain central to public policy discourse. Indeed, Bernstein writes rather little about the crucial importance of statistics in the twentieth century as a whole. For instance, the collection of Gross National Product (GNP) becomes somewhat lost in the account of Keynes's influences.
2. This is Davis's argument.
3. This is Coats's argument.
4. In addition, the concept of 'public purpose' in Bernstein's title is characteristically vague — much more so than 'public policy.' Many public purposes could be enumerated, but the idea would be woolly.
5. For readers unfamiliar with the history of academic freedom in America the following reading list may be helpful: Furner (), Hofstadler and Metzger (), Schrecker (), Coats (,). Most of the items, but not all, are in Bernstein's bibliography, and make for stimulating, dramatic, and, at times, shocking reading.
6. In our opinion, Bernstein seeks an authoritative community, but is vague about the meaning of this.
7. We suspect that Bernstein consciously or unconsciously believes economics is a key profession that should have a major role in the public policy process. However, like many critics, the author is ambivalent about economic theories and techniques.
8. This is Sent's argument.
9. This is Backhouse's argument. Some of his arguments are also discussed in Backhouse ().
10. This is Sent's argument.
11. A further manifestation of which would be the failure of the Cambridge, UK critique of the concept of aggregate capital to acquire any significant purchase in the US
12. This is Davis's argument.

13. This is Backhouse's argument, along with the subsequent paragraphs on this topic.
14. Bernstein seems to argue at points that the economists were entitled to be respected and not ignored. Yet, given the many attacks on individual economists, they would probably welcome 'being ignored.'
15. In his Prologue, Bernstein points out 'that this is a study resolutely focused on *American* economics' (p. 5) and that '[r]ethinking the history of the American economics profession is thus very much tied up with rethinking the history of modern American culture itself' (p. 3).
16. This is Davis's argument.
17. This is Sent's argument.
18. This is Hagemann's argument, along with the subsequent paragraphs on this topic.
19. See, e.g., Coser () for a substantial treatment concerning the impact in economics, the social sciences and the humanities.
20. Morgenstern () later made a major contribution to the conception of the Polaris submarine strategy that he substantiated in his *The Question of National Defense*, but he always remained critical towards general equilibrium theory as the highbrow version of neoclassical economics.
21. Modigliani had emigrated from fascist Italy in 1939 and come to the New School, where Marschak had the decisive intellectual influence on him.
22. Baran got his PhD from the University of Berlin in 1932 with his supervisor Emil Lederer, who became the Founding Dean of the 'University in Exile' at the New School in the subsequent year.
23. Block had written his PhD thesis on Marxian monetary theory with Karl Diehl at the University of Freiburg in 1926, came as an émigré to the United States in 1940 where he left the New School for Washington in 1944 and after a short time became Section Head of the OSS department for the Soviet Union. Block moved to the State Department in 1950 where he was one of the leading experts for Eastern Europe until his retirement in 1973.
24. The Notes occupy so many pages of the book that the serious reader must feel obliged to read them. They are often interesting, and in some parts they constitute a detailed supplementary commentary on the text. Many of the longer Notes present the author's effort to demonstrate the historical and social context of his story.

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Reply to critics

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I am very grateful to Professors Backhouse, Coats, Davis, Hagemann and Sent for taking the time to share their important insights and criticisms regarding my work on the twentieth century history of the American economics profession. I am particularly indebted to Professor Sent — who took the lead in organizing this exchange. I warmly welcome the commentary posed here — it stands as a significant challenge for further research and reflection.

In fashioning a reply to my distinguished critics, I note at the outset three main areas of concern to which they give voice. These are: 1) the extent to which I downplay the pluralist nature of American economics, especially in the mid-twentieth century; 2) the possibility that I overlook the enduring influence and visibility of mainstream economists in policy-making circles today; and 3) the manner in which I potentially conflate Cold War era ideology (and its impact on economic theory and practice) with contemporary political processes focused on globalization and privatization.

On the matter of pluralism, my five colleagues have touched upon one aspect of *A Perilous Progress* that has garnered much critical commentary. They find, as some other reviewers have done, that I homogenize the twentieth century evolution of economic thought, at least in its American context, excluding appropriate discussion of the distinctive approaches forged, for example, by the Chicago School and the Cowles Commission and by Frank Knight and his collaborators and students. And, as they discuss, this tendency of mine to overemphasize the uniformity of the evolution of economic knowledge also prompts me to exaggerate both the distinctiveness and impact of the so-called Keynesian Revolution itself.

To all these charges I am willing, on some level, to plead not so much guilty as *nolo contendere*. The fact of the matter is that I found critical to the construction of my narrative a focus on the emergence and ultimate domination of the neoclassical paradigm. Permutations of ideas within that corpus, while interesting and important from the standpoint of the history of economic thought and of science studies generally, were nevertheless not my concern. My goal was to demonstrate the establishment of a core scientific community, wedded to the central propositions of marginalism, rational-choice theory and optimization criteria. In other words, I was eager to emphasize the commonality of ideas among mainstream American economists rather than specific differences of emphasis. This no doubt appears crude to accomplished historians of economic theory, such as my critics here — but it was an important vehicle, I think, for the conveyance of particular themes in my book to a wider audience, particularly political and social historians.

I might add that another charge properly directed my way, concerning my tendency to homogenize my narrative, involves my treatment of the American Institutional School. In another context, in fact, my friend

and colleague Professor Philip Mirowski (of the University of Notre Dame) has taken me to task on just this point. I spend little time discussing the rise and influence of the institutionalists – but I do so not out of any disrespect for that tradition, nor out of any lack of awareness of its enduring presence in our discipline. But I would claim that the training of successive generations of economists, at least in the American arena, has shed more and more of the institutionalist message — rendering most graduate programmes in the US today (especially those ranked in the top ten nationwide) devoid of any curriculum that would expose students to this alternative point of view. Again, for the sake of the drive of my narrative, I privileged the discussion of points of view that ultimately dominated (and continue to dominate) economics as a whole — at the expense of slighting the vivid alternative traditions that have also been part of the twentieth century history of the field. The same is obviously true of my relative lack of attention to neomarxian, neoricardian, and feminist paradigms.

My critics take issue with my claim that the influence and visibility of economists today is much less than that of a half-century ago. I attribute this muted public presence to the increasing formalism and scholastic withdrawal of leading practitioners from engaged public policy debate. My colleagues point, for example, to the powerful influence of American economic thought and practice in the wider world today as a countervailing example. Similarly, they claim that academic economists hold sway in central banks, non-profit and non-governmental organizations and other international agencies like never before. How then is it possible that one could argue, as I do, that economics today is 'being ignored?'

I do not deny, of course, that professional economists are today more numerous in, and in many cases play quite powerful roles within, the various institutions my critics mention in their remarks. Yet I argue in my book that their role, relative to the mid-twentieth century, is obscure, cloaked and unengaged. Let me explain.

Economists in the International Monetary Fund, the World Bank, the US Federal Reserve System, and so forth, occupy positions that while highly political in their nature are nonetheless quite separated from public policy debate and discourse. Indeed, with the possible exception of US Fed Chairman, Alan Greenspan, even their personal identities are relatively unknown to a wider public. The fact remains that these economists are engaged in a kind of policy-making activity that is literally taking place in closed rooms. Their analyses, their proposals, even their very appointments, are relatively insulated from the scrutiny of elected officials. Far from being an engaged professional discourse, actively tied to public debate and discussion, economics has increasingly become a shared, private vocabulary among specialists – indeed, among specialists who have a unique and privileged access to the corridors of power.

What I have claimed was characteristic of public policy economics in the immediate post-war period – high public visibility, engaged debate with elected officials in the American Congress, resolute attention to the interface between theory and political reality – was a posture that became increasingly rare in the last few decades of the twentieth century. The 'Reagan Revolution' provided the turning-point for my narrative, although I would allow that the beginnings of that process of change pre-date the 1980 American presidential election. What came subsequently was the disengagement I ultimately describe in my book, a kind of smug assurance that economics matters for the making of public policy coupled with a resolute unwillingness to participate in the genuine, open and democratic disputation that was the essence of the 'New Economics' of the post World War II period.

I agree, therefore, that economists today enjoy great amounts of power and influence, even prestige in some circles. But they do so in private, and increasingly in silence. To use the trope I deployed in my book – they have become more 'privy councillors to private wealth' than public servants to elected officials. It is then in this respect that they are being ignored — not by the private sector nor by the elite officials of the distinct financial and non-governmental organizations noted above, but rather by the public. In this development I believe economists, more often in unwitting rather than deliberate fashion, have been accomplices.

One final point with regard to the matter of influence: the public today seems more and more incapable of actively engaging in economics policy debate itself. The very process of professionalization that has brought economics to its current state has also played a rather ironic and interesting role in segregating the public from continued, substantive engagement with economic questions. As a result, the degree of sophistication that the public brings to the assessment of a given policy proposal steadily declines. This is not to say that in the past the public was more capable. It is instead to suggest that as the evolution of the profession has proceeded apace, the strange isolation of the public from what it has to say is amplified. We live in the midst of a purported 'information revolution' today — but the ability of the public to analyse policy proposals in an informed and logical way seems to wither at the same time.

My discussants note that my work draws an exceedingly sharp distinction between Cold War and contemporary ideology, at the same time overemphasizing the importance of Keynesianism. They properly warn me — Keynes' characterization of what he called classical economic theory was something of a caricature, indeed his attacks on Pigou in particular were more often than not quite unfair. Is it thus the case that I overlook the continuities between the interwar years, the world war and Cold War era, and today?

My colleagues are quite thought-provoking on this question, suggesting that (in their words) 'the collapse of Keynesianism and the emergence of the privatization movement were not two separate, historically disjointed processes, but rather one expression of a single view of public and private that had been temporarily in abeyance in the US as a consequence of the exceptional circumstances of ... World War II.' Their intervention in this regard is mirrored by a further concern that I do not adequately explain my use of the term 'statism,' tending to reify its significance when looking at the wartime experience and then minimizing it when examining more recent experience. I confess that these particular critiques had not occurred to me in the past, nor have they (to the best of my knowledge) been characteristic of the response to my book to date. I will clearly need to engage with them more systematically in my future work.

The notion that perceptions of the relationship between the public and the private sectors, far from undergoing a decisive break in the wake of the Vietnam War and OPEC oil price-shock fiascos, enjoyed a certain continuity in US experience is one that is, in my mind, well worth considering. Viewed in this way, the 1940s world war and the Cold War emerge as exceptional moments that either slowed down or ultimately distorted the evolution of macroeconomic thought in the modern era. Here my critics offer important suggestions, I think, regarding our assessment of the Keynesian Revolution in the middle of the twentieth century. It may very well be that Keynes' work was far more consistent with the 'privatization' approach to policy-making than I have previously appreciated. Surely the effort to amalgamate Keynes's *General Theory* with the canonical propositions of neoclassical theory — as Hicks attempted in his remarkably influential 1937 *Econometrica* essay — points one's thinking in that direction. If true, I clearly would need to seriously rethink the propositions advanced in the final chapter of my book.

I have hardly done justice to the depth and integrity of the criticisms and comments advanced here by my colleagues. In particular, their speculations concerning the role of European émigré intellectuals in the development of modern economics in the United States constitute a significant intervention — and merit, in their own right, a sustained discussion that cannot be undertaken here. I hope, nevertheless, that I have given some sense of my overall conception of the narrative I constructed in *A Perilous Progress* — and, in the process, managed to respond in some measure to the particular concerns raised. Please allow me to close with a general observation prompted by some of the final comments advanced by my five colleagues.

The intellectual vitality of the contemporary work being done on the history of economic thought and on the history and sociology of the social science professions is strangely unparalleled by concern with its transmission to new generations of specialists. The vast majority of graduate programmes in the United States now

substantively ignore the scholarship in this arena and they make no effort to encourage their students to gain any awareness of, or facility with, the relevant literature. Quite the contrary. I recall that, in my first graduate course in macroeconomic theory in 1977, the instructor in charge, the late Nobel Laureate James Tobin, actively encouraged students to read *The General Theory* in the original, along with the most recent articles and working papers that formed the core of our reading list. Doing so, in my case, opened up an array of questions and ideas previously obscured. I discovered that the reception of Keynes in the contemporary literature was something altogether different from what I perceived to be the original formulation of his ideas. Yet mine was an experience, in graduate school, that is now exceedingly rare.

I am quite sensitive to the argument, in most of the social sciences today, that practitioners should not sacrifice current training in useful techniques to the appraisal of past attempts to advance a discipline. But when taken to an extreme, as I believe it is today, this attitude actively jeopardizes the intellectual potential of the student. As the numerous and significant scholarly publications of my commentators today so vividly demonstrate, the exploration of disciplinary history is important, rewarding and enlightening. It makes us better economists. We thus ignore learning in the history of our disciplines at great risk and we do an incredible disservice to our students when we allow or encourage them to do the same.

I sincerely thank my colleagues who have taken the time to so seriously and thoughtfully interact with my work. It is precisely discussions like these that I very much hoped to provoke with the publication of *A Perilous Progress*.