Obituary: Warren J. Samuels (1933-2011)

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Abstract.

This paper examines the research and career of the late Warren J. Samuels (1933-2011), an influential institutionalist economist in the Wisconsin John Commons tradition and well-known historian and methodologist of economics. It discusses four main positions Samuels developed and held regarding the history of economic thought as intellectual history, the theory of economic policy, methodological pluralism, and the invisible hand doctrine. Among the views considered are: his matrix approach to meaningfulness, his characterization of intellectual systems, his emphasis on the centrality of the social order, his theory of economic policy as a neglected subject, his discourse analysis of language, his emphasis on the hermeneutic circle and critique of foundationalism, and argument that the invisible hand lacks ontological and epistemological credentials and functions as a means of social control and psychic balm. Much of the discussion is cast in terms of Samuels’ own reflections on what he believed is involved in being an historian of economics.

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Warren J. Samuels (1933-2011)

‘Economics is knowledge, it is social control, and it is psychic balm’ (Samuels, 1972: 314)

Warren J. Samuels was born on 14 September 1933 in the Bronx, New York City, New York of a father and mother who had immigrated from Lithuania and Germany, and died on 17 August 2011 in Gainesville, Florida. He was a leading figure in the history of economics, an influential voice in economic methodology, and an expert on the economic role of government. He was the last significant figure in the American institutionalist tradition of John R. Commons, receiving his PhD in economics at University of Wisconsin, Madison in 1957 (at age 23) under Edwin Witte. He had gone to Wisconsin to study institutionalism under Commons’ followers, having had a course on institutional economics when he was an undergraduate at the University of Miami.¹

I have never regretted the decision to attend Wisconsin, which then was at the tail end of the reign of Commons’ students. I received deep insights into the economic role of government and both wide and deep training in the history of economic thought, my two principal fields of interest. I have never ceased to look at the world primarily, albeit not entirely, through an institutionalist prism, and I hope that I always appreciated that it was indeed a prism or, to change the metaphor, a particular design for a story of what the legal-economic system, and other things, is all about (Samuels, 1995: 354).

It was the influence of institutionalism and Commons’ work on the legal foundations of capitalism that defined his life work, and led him to develop a ‘multidisciplinary approach’ to economics drawing on ‘such fields as political science, sociology, philosophy, and law in part with regard to the economy as a policy process and economics as a policy science’ (353). Samuels had a long impressive career – mostly at Michigan State University – in which he published and edited extensively, developing influential positions on the history of economic thought as intellectual history, the theory of economic policy, methodological pluralism, and the invisible hand doctrine.²

¹ He had chosen Wisconsin over Harvard and Duke for this reason (Samuels, 1996: 38-39).

His idea expressed above, however, that life is seen through a ‘prism,’ or from a standpoint, came to him before his university studies and first course on institutionalism when he was introduced to non-Euclidian geometry in a high school Euclidian geometry class. As he later reported, he realized at that time that ‘multiple systems of mathematical and logical deduction can coexist,’ and this meant that ‘deduction could yield logically “valid” but not necessarily “true” conclusions’ (345). Truth, thus, took a back seat to valid reasoning, and did not function as an arbiter between contesting views. This early insight, reinforced in his early studies of history and philosophy, convinced him that all thinking was perspectival. It also had a personal impact on him in that it made him uncomfortable for the rest of his life ‘with “true believers” – those who are convinced they have found absolute truth and repudiate, more or less as enemies, those who think differently’ (Ibid.).

Years later he developed this insight into his ‘the matrix approach to meaningfulness’ or ‘the position that the meaningfulness of ideas, theories, and schools of thought resides in the matrix formed by the totality of views of each held by both advocates and critics’ (353). Usually, he noted, when people seek to understand a school’s ideas and theories, they think they should turn to its authorities. But he rejected this practice.

There is no reason to privilege the definition of each given by some of the disciples of each when there is something to be learned from the definition of each given by disciples of other schools. A higher or more comprehensive or at least different meaningfulness can be achieved by considering all of these definitions (Ibid.).

A corollary to this is the need for criticism. ‘Criticism is important to elicit both the strengths and limitations and therefore the meaningfulness and the multiplicity of nuances and meanings as something is viewed from different positions’ (354). In a world governed by perspective, individual views must always be interrogated, not just because they then appear in new light but because their meaning emerges most fully only when it comprehends competing points of view.

Samuels incorporated this view into his understanding of the history of economic thought in his “The History of Economic Thought as Intellectual History” paper which distinguished the history of economics from the history of ideas. He had already written *The Classical Theory of Economic Policy*, treating the theory of economic policy as a neglected subject in the history of economics, which in his view often told a misleading story of progress from error to truth charted by theory. Another book on Pareto and policy soon followed. His main argument was that economic theory is only part of intellectual history, and focusing on it alone biased one’s understanding of both theory and policy. It was an argument that came instinctively to an institutionalist, a student of Commons, and someone who had closely studied the subject of the economic role of government, though as his career progressed Samuels had gone further as a scholar of the history of economics, becoming a deeper and more knowledgeable thinker about ‘intellectual systems’ and the environments they occupy.

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3 His dissertation at Wisconsin under Witte (a labor economist and labor relations specialist involved in the passage of the 1935 U.S. Social Security Act) was: “The concepts of major business and labor organizations on the role of government in the economy.”
In this regard, he argued ‘intellectual systems which condition what we accept as knowledge’ are complex and heterogeneous, because, first, ‘social reality is itself heterogeneous and ambiguous,’ and second, ‘our modes of intellectualizing and interpreting social reality are complex and heterogeneous’ with ‘diverse epistemological credentials, diverse modes of thought, and diverse systems of rationality’ (1972b: 306). Thus there are inevitably different definitions of problems, different methods for obtaining data, different methods for drawing conclusions from data, different methods for the collation and reconciliation of differing conclusions drawn from data; hence a diversity of ways of conceiving and solving problems, with competing and complementary resolutions and emphases, and fundamental incompleteness a characteristic of each (307).

Yet at the same time the ‘human mind tends to prefer simplicity and unity to complexity and diversity’ (Ibid.). So though a candid reading of the history of economics shows ‘the history of the discipline is the history of controversy,’ most economists and many historians of economics operate as if – in words he repeated frequently over his career and reflect his institutionalist vision – ‘Economics is knowledge, it is social control, and it is psychic balm’ (314). Thus economics’ presumed functions are inconsistent with its nature as an intellectual system. Consequently, he called for a richer historiography, arguing historians’ ‘general strategy of inquiry … begins with a modified version of the Dilthey-Weber concept of verstehen, moves on to Whitehead’s concept of perspective, and concludes with Cohen’s systematic relativism or field theory’ (318).

Consider, then, what Samuels regarded – following Frank Knight (1953) – as the domain of his first subject of research, the theory of economic policy. It concerns ‘the combination of legal, nonlegal, and private economic decision-making participation, ultimately policy (deliberative and nondeliberative) with respect to the structure of economic organization or power’ (1972a: 248). He believed that the theory of economic policy was, after economic theory, ‘the second major tradition in economics,’ but because it went generally unrecognized as a distinct domain, it needed to be ‘distilled from the writings of economists who have dealt with it’ (249). This led to problems of exegesis, and so to differentiate its subject matter, Samuels argued that whereas economic theory itself concerned the problems of resource allocation, income distribution, and aggregate income determination, the theory of economic policy concerned ‘the organization of the economic system, ultimately the distribution of power’ (248). This made it a central part of a larger subject, namely, the nature and structure of the economic order, which he understood as the ‘organization and structure of the economic system as a whole with or without the market as the predominant organization or regulatory mechanism,’ and which he believed could be examined from ‘the perspective of what Commons called [the economy’s] ‘working rules”’ (251). The idea of an economic order, he noted, stood in ‘marked juxtaposition and partial contradiction to the immensely more prominent and developed conception of the market place … which has been largely sterilized of power considerations’ (252-3). That conception was often the product of a near exclusive...

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4 Felix Cohen was an American lawyer, legal philosopher, and proponent of legal realism in U.S. President Franklin Roosevelt’s New Deal administration.

5 Samuels also cites Joseph Spengler and Commons as important influences.
concern from economists and historians of economics with economic theory, and especially with what Samuels saw as a misleading representation of the economy in terms of demand and supply. Indeed for him, the ‘reduction of economic relations to demand and supply functions has … served to adumbrate a vision of the market as a regime of harmony’ (253), and thus to obscure the role of power in the economy.

Samuels worked out these views in his study of the theory of economic policy of classical economics (1964a, 1964b, 1966). He began by disputing the ‘conventional definition of “the theory of economic policy”’ – labeled the ‘market-plus framework’ – that limited the scope of policy to the role of law (1964a: 1).

This view has … understated the significance and content of the social control system … [and] such understatement is significant in the case of the classical economists, for the non-legal, or non-deliberative, forces of social control, operating as morals, religion, custom, and education, were deemed necessary to the policy process (1-2).

To the extent that harmony characterized economies and markets worked smoothly, for the classical economists it was because tools of non-legal social control created such harmony. Morals, religion, custom, and education, of course, are not usually thought to be tools of economic policy. They are rather seen to belong to economies’ social-institutional fabric. But Samuels argued for one classical figure after another that accompanying their shared ‘desideratum of human freedom was a recognition of the fact and necessity of the extant system of social control, extending to both non-legal and legal forces’ (4). This could be easily missed since when ‘government is passive and the forces of demand and supply operate,’ the role non-legal forces play in the economy is unobtrusive and often accordingly taken for granted (1964b: 100, but this made it important for policy-makers to think clearly about how societies actually organize themselves institutionally.⁶

Samuels recognized by the late 1960s that the influence of institutionalism in economics was in decline and that neoclassical economics’ demand and supply market-based vision of the economy was ascendant. It was a puzzle for him (as he expressed to me on different occasions) that so much careful thinking about the nature of the economy was so quickly forgotten and ignored, and views which he thought ignored what he saw as self-evident about economic life were unhesitatingly embraced. One response to this was to dig deeper into how the institutional mediation of public and private operated, something he did in much, applied research devoted to public utilities regulation, valuation strategies, law, taxation, economic policy, and government.

Another response was to make economic methodology a subject of investigation. But he did not come to methodology, an emerging subfield of economics by the late 1970s, as many did by way of the philosophy of science of the time which had been modeled on physics and natural science (e.g., Suppe, 1977). He already had absorbed Dewey and Peirce from Commons and Witte, and his interest in methodology was driven by the differences between institutionalist and neoclassical economics (Biddle, Davis, and Medema, 2001: 5ff). Thus he edited the two-issue, 1979-1980 Journal of Economic Issues

⁶ He added: ‘it is a tribute to the genius of the Commons-Witte variety, that they were preoccupied with the problems of institution building that are at the heart of promoting economic development’ (1964b: 100).
symposium, ‘Methodology in Economics,’ and with Marc Tool edited a volume of papers on such topics as orthodoxy versus heterodoxy, social values, culture, ideology, empiricism, philosophy and economics, language, rationality, policy, myth, and dissent (Tool and Samuels, 1980). Here he had a tradition to follow, since American institutionalism had been influenced by the German Historical School, and the Methodenstreit had already laid out a set of methodological issues that were being repeated in the divide between institutionalism and neoclassicism. His point of entry put him at odds with the philosophy of science-based current in economic methodology, since it gave him a social science rather than natural science orientation, but also made it obvious to him that the former had its own distinctive character.

The philosophy of science effectively caught up with Samuels in the 1980s as interest in Popper, Kuhn, and Lakatos shifted economic methodology toward inquiring into the conditions of knowledge production, the sociology of belief, and the idea that the ‘truths’ of economics are constructed rather than discovered. He then became interested in the role language played in providing interpretative structures in economics, editing Economics as Discourse in 1990. He adopted the concept of the hermeneutic circle, the idea that how one understood the elements of a text depended on how one understood the text as a whole while how one understood the text as a whole depended on how one understood its elements. He used this to argue that knowledge lacks foundations independent of its inherited conceptions and organization. This gave him a new set of rationales for his long-held social constructivist views regarding the economy, and set the stage for his influential advocacy of methodological pluralism as a further explanation of his ‘matrix approach’ as the recommended practice in economics.

Two things are central to Samuels’ understanding of methodological pluralism (1997, 1998): the necessity of choice regarding how to proceed in theorizing and the absence of any epistemological foundations for making such a choice.

Choice has to be made between alternative methodologies each of which has its own internal limitations, and there is no single unequivocal, conclusive metaprinciple on which to make that choice (1998: 301).

His argument regarding epistemic foundations had been sharpened by his thinking about language and economic methodology, but the ‘internal limitations’ idea had been with him from early on when he concluded that human thinking was beset by ‘perennial questions’ and ‘philosophical antinomies’ which were incapable of resolution (1995: 353-4). Given human resistance to ‘open-endedness and ambiguity (such as, plurality of meaning)’ and the consequent need for ‘determinacy and closure’ (1998: 301), choices would be made. The issue for Samuels was how people interacted when they made their choices. His experience in the profession was not encouraging on this score, but he outlined what he believed constituted reasonable ground rules for civility in scientific exchange:

methodological anarchy is avoided by emphasizing, first, the identification of the precise nature, grounds and limits of particular methodologies; second, the importance of the process by which knowledge and the credentials of knowledge are pursued and knowledge worked out; third, the process of criticism itself (Ibid.).

Economics thus practiced was not a truth-seeking domain, but ‘an organ of inquiry comprising a vast set of tools, instruments used in probing and telling stories about the economy’ where ‘no one theory can
answer every question, and no one theory need give a comprehensive, complete answer to any particular question’ (303). In a word, Samuels saw economics as an institution, one which underwent constant change and evolution, and was ever reconstructing itself. It followed that the virtue this vision required of economists was tolerance and forbearance toward one another, a virtue characteristic of a humane society governed by respect for others, even where difference and disagreement ruled.

This certainly captured Samuels’ own character, as those who knew him would testify. But it was also a guiding principle in his work as an historian of economics. In his own view recorded in ‘My Work as a Historian of Economic Thought,’ it came from having had a highly eclectic training at Wisconsin, so that having been ‘exposed to economics as a combination of neoclassicism, socialism, institutionalism, and Keynesian macroeconomics,’ he ‘learned to think within the paradigm and terms of different schools of thought, thereby to understand the economy and the doing of economics in the different ways more or less specific to each school of thought’ (1996: 39). He explicated this more fully in terms of five dimensions he saw to his work in history of economics:

My work in the history of economic thought has centered … on (i) understanding how economics serves three functions: knowledge, social control and psychic balm; (ii) how schools of economic thought can be differently understood both from within each school and on the basis of the perspectives of other schools (the matrix approach); (iii) economics as a system of belief and mode of discourse rather than a hard science immediately and conclusively dealing with reality and applicable to explanation and policy; (iv) the operation of power and ideology as filtration mechanisms; … (v) the role of such desiderata as scientific status, professional expertise made applicable to policy and ideological safety in the rise to predominance of neoclassical economics (2000: 558).

This thinking, with its institutionalist emphases, not surprisingly made Samuels an increasingly heterodox figure in the economics profession in the 1970s and 80s. But while he recognized his status as a dissident, in his view this was more an accident of the time, since he only sought to produce ‘explanations and analyses which do not, through limiting assumptions of various kinds, merely selectively ratify and privilege established institutions’ and generate Whig histories (2000: 558).

One such institution to which he devoted a tremendous amount of work in the last part of his life was the market process itself, particularly in terms of the idea of a naturally self-correcting demand and supply-driven mechanism represented by the invisible hand idea. This last research brought together much of his life’s work: his abiding interest in the economic role of government and the theory of economic policy, his understanding of the history of economics as intellectual history, his institutionalism, and his methodological pluralism. His work began with a compilation of all the references to the invisible hand idea and related terms (such as spontaneous order) he could locate in the history of economics and elsewhere. He found invisible hand-like notions had a long intellectual history dating to ancient times, and were not only found in economics and political economy. He targeted the invisible hand because he believed it was foundational in economics. Yet the paradox he encountered was that this so-called foundation came in the form of ‘four dozen identities’ regarding what it was and a further ‘dozen or so functions, each with numerous variations, performable in principle by each identity,’ allowing for a ‘huge
number of possibilities and the unknown number of possible combinations that involve contradictions or inconsistencies’ (2011: xvii; cf. 59-82).

His reasoning, then, was that, absent having a single identity, the invisible hand lacked any ontological status, so that ‘statements that purport to identify what it is and/or its function are empty or fictional; there is nothing to identify’ (166). This did not imply for Samuels that the invisible hand doctrine was meaningless. Indeed it was compatible with its playing a foundational role in economics, though the nature of that role was much different from what most economists assumed. Rather, the invisible hand was a figure of speech or a metaphor for the general idea that the market created a system of social order, and thus the objective economists achieve in deploying it was not ‘the definition of ultimate reality’ but to influence the social belief system operating as social control and psychic balm, the former relating to the control of government and including service as a conduit for ideas into the policy process, and the latter relating, in part, to the … mythopoeic needs of the population’ (169).

This meant for Samuels that, despite the often repeated claim that economics is a positive, objective science, ‘most propositions about the invisible hand seem to be “ought” statements, even though they may have an “is” form’ (167), and functioned to convey economists’ policy preferences rather than truth value.

If the invisible hand lacked ontological standing, then what status, Samuels asked, does it have as knowledge? When we seek to establish knowledge inductively, our conclusions are tied to the circumstances we test, so it follows that we lack grounds for universal claims about invisible hand mechanisms. At the same time, his survey of the literature showed that no one had sought to derive the invisible hand by deduction. This meant that the invisible hand also had no meaningful epistemological status. As he put it, it could not be said that any increase in knowledge has ever been achieved by characterizing markets in terms of invisible hand processes (174). What was left to say about the staying power of the invisible hand doctrine went back to the problem of sustaining the social order, which he believed constituted the doctrine’s principle function. For Samuels, this was the main problem which society faced, and was the hidden, unspoken problematic ultimately driving the invisible hand idea.

Samuels had extraordinary intellectual depth in combination with a remarkable breadth and range of knowledge. He was an ethically principled person who was generous towards others, fair in debate and exchange, but also one who did not hesitate to criticize dissembling, obfuscation, and pretense – behaviors he saw as all too common in economics. Figures of his stature and character are rare in economics. Historians of economics and economic methodologists were fortunate to have him among their ranks.

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References


