

HOW PHILOSOPHICAL ERRORS IMPEDE FREEDOM

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That philosophic ideas count is no news to Austrian economists, whose economic theories rest on conceptual analyses of action and value. But philosophy can confuse as well as guide. In this article, I will discuss two philosophical mistakes that in recent times have supported dangerous idiocy while undermining the market.

REIFICATION

I begin with the more familiar mistake: that of reifying society. This is the belief that the word “society” names an entity with its own causal powers, and that people are the way they are because “society” makes them so. Like a mother ship sending out smaller versions of itself on specific missions, the treatment of society as a thing over and above its component individuals leads to more specific abstract nouns, such as crime, wealth, poverty, savings, and peer pressure, being treated as names of real factors. Unlike most fallacies, which are committed when people do not pay attention to what they are saying, reification is taken by its devotees not as a blunder at all, but as a major sociological discovery.

Analytically speaking, the worst effect of reification is that it gives rise to pseudo-explanations. Appeal to such entities as society or crime appeases the appetite for understanding without supplying genuine intellectual nourishment. An hour later you are still curious. Slum youths commit so much crime, we are told, because they are affected by “peer pressure.” Yet what is peer pressure but other slum youths committing crimes and inviting their friends along? “Peer pressure” is just another name for the phenomenon we asked about in the first place, criminal behavior in the slums, leading us right back to where we started. Examples of this sort of thing can be multiplied without end. Elsewhere I cite some Connecticut residents complaining “that they were bypassed by the wealth that surged through Fairfield County in the 1980s.” Then there is this priceless sentence from the *New York Times*: “The Carter family is being stalked here by what

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the clan's 54-year-old matriarch, Regina, calls a monster: crack cocaine. She has watched it swallow her daughter, and now she is fighting it for her grandson's soul."

As these examples show, reification relieves the guilty individuals of responsibility. Don't blame bad, unproductive, reckless behavior on the tiny cog, but on the big social machine of which it is a helpless part. But the flip side of absolution for vice is disrespect for virtue. Tiny little cogs can hardly be autonomous, or have rights to freedom. What individuals think of as their own decisions are forced on them. Thus, the only way to improve society is by tinkering with the big machine en gross, sweeping individuals along in the process. Such systematic intervention, of a sort only government can undertake, seems to conflict with individual liberty, but hey, individuals are not really free anyway. They are slaves to their social role, so in forcing them to act in new ways, giving them new roles, the state does nothing worse than "society" has already done to them.

This mode of thought is at work in attacks on the use of cheap overseas labor by American firms. Juanita in the Philippines makes running shoes for 50¢/hr, a good deal all around; the finished product is less expensive than if manufactured domestically, and Juanita is better off than she would be without her job. Of course, 50¢ is less than an American would get, mainly because so many other members of Juanita's labor pool are willing to accept that wage. But many people find this scandalous, and accuse Nike of "exploitation." Juanita, you see, is forced to work for 50¢ by the "poverty" of the "third world" she is mired in. The solution, of course, is to attack "poverty" itself by making Nike pay higher wages or confer more benefits than it would agree to under pure bargaining.

Interventionists scorn the free market view that, in Hobbes's words, "The value of all things contracted for [like Juanita's labor] is measured by the appetite of the contractors; and therefore the just value is that which they be contented to give." The interventionist response is that Juanita does not contract voluntarily, for she is caught in a system, etc. Here is where the reification comes in. Having treated the Philippine labor pool as a thing external to Juanita, Carlos, and Corazon which makes them accept relatively low wages, interventionists don't bother to ask why the Philippine labor pool is that way. It is that way because, for reasons having to do with education, ability, and training, the labor of individual Filipinos is on average worth no more. Perhaps Filipinos do not know how to bargain collectively,

but that too is a reflection of the ability of individual Filipinos to cooperate with each other. “The economy” doesn’t make anyone do anything; it is just a name for individuals exchanging goods and services. The character of an economy is explained by the interactions of its constituents. Once this is clear, intervention in “the economy” is seen for what it is, namely coercion of individuals.

Belief in collectives rests on a confusion between two kinds of traits of individuals. First, there are the traits people have when they are taken in isolation, such as height, weight, age and health. Obviously, these individualistic properties cannot explain how people behave in social groups. Watch Robinson Crusoe on his desert island as long as you please, and you will never learn what sort of conversationalist he is. If social “holism” is the claim that the properties of groups cannot be reduced to the individualistic properties of their members, it is true. However, people also have “relational” traits; Crusoe’s tendency to tell jokes to anyone who will listen, for instance, is one such. Now, even though that trait involves reference to other people, it still pertains to Crusoe the individual. Thousands of miles from another soul, Crusoe is still a good conversationalist, in the sense that he would tell jokes if he had an audience. The big point is that the properties of a group can be reduced to the relational properties of its members. Once you know how these members react to each other—how garrulous they are, how cooperative, how keenly they negotiate¹—you can predict the economy they will create, and holism is false. Just keep these two kinds of trait distinct, and you will never reify.

THE SKIM MILK FALLACY

As I say, most Austrians already know of the aid and comfort reification lends collectivism. I now turn to what I regard as a much more consequential error. It is also little discussed, so its destructive effects have largely escaped notice. I refer to the notion that things are never what they seem, or, to put it more abstractly, that science always explains away appearances in terms of their opposite.

¹In his friendly critique, “On Austrian Methodology,” in Robert Nozick, *Socratic Puzzles* (Cambridge, Mass.: Harvard University Press, 1997), Nozick suggests that methodological individualism is empirically confirmed if individualistic properties can predict strategic interaction in a prisoner’s-dilemma-type problem, but disconfirmed in favor of holism if they cannot. This is an interesting stipulation, but, e.g., the tendency to choose a dominant strategy remains a trait of individuals.

Let me get specific by reviewing four familiar but for all that genuinely epochal discoveries, which, misinterpreted by philosophers and historians, have distorted popular understanding of scientific inquiry.

1) In 1573, Copernicus demonstrated that the Earth revolves around the sun; the Sun and the stars are, in fact, fixed relative to the Earth.

2) A century later, Robert Boyle revived the corpuscular theory of matter, which takes the physical world to consist of numerous minute particles whose interactions explain the properties of macroscopic objects. Two corollaries, learned by most of us by high school, were drawn from this view. First, ordinary objects like a lectern are not solid, but rather are mainly empty space. Second, color is not a feature of anything in nature. Rather, it is an effect of those little particles on the human nervous system that it resides in the mind. The corpuscular theory did not gain firm empirical support until the 19th century, but it quickly persuaded Newton, Locke and other luminaries. It has been part of our intellectual heritage for hundreds of years.

3) Jumping to modern times, puzzles about radiant energy and electron orbits led physicists to propose that the energy possessed by bodies does not vary continuously, but comes in discrete amounts. Fully worked out, this “quantum theory” implied that the more definite a body’s momentum, the fuzzier its position. Thus, at any time your hand is spread by waves of probability over the entire universe; it only seems to occupy a sharply bounded region because that is where the probability waves peak. Incredible as this sounds, it had better be true, since it is the theory on which transistors are based.

4) Einstein’s Special Theory of Relativity, published in 1905, denies that there are such things as space or time as ordinarily conceived. You may think the Mars Pathfinder (the taxpayer’s latest gift to scientists) is doing something right now, at the very moment I am writing this. Not so: two events that are simultaneous for you are not simultaneous for observers moving relative to you. What is more, the distance from the room where you are reading this to Pathfinder also varies with the velocity of the observer. Absolute simultaneity and distance do not exist. As if that weren’t weird enough, Einstein later announced that objects falling in a massive body’s gravitational field do not actually pick up speed; rather, mass warps space, and what we perceive as gravitational acceleration is uniform motion in curved space-time.

These cases are so fascinating because in each one what we believe based on ordinary observation is completely overturned. The Sun seems to move across the sky, but it really doesn't. Lecterns seem to be solid and brown, but they really aren't. Hands seem to occupy definite positions, but they really don't. There seems to be absolute simultaneity, but really there isn't.

To be sure, some of these inferences are open to challenge. To call something "solid," it may be argued, means that I can't put my hand through it, and I can't put my hand through this lectern, whether or not it is mostly empty space. It can also be argued that "color" refers to whatever it is about an object, including the arrangement of atoms at its surface, which causes certain sensations in observers. Since the arrangement of atoms at this lectern's surface does cause the requisite sensations, the lectern itself is literally brown.

Still, the message is clear: in four striking cases, scientific investigation showed the world to be the reverse of how it appears. And what has happened, I believe, is that historians of science who should know better have radically over-generalized these cases into (in the jargon of the prime offender²) a paradigm. According to this paradigm, science always shows that things are the reverse of how they seem. Deep scrutiny of virtually any phenomenon will reveal that everyday convictions about it are wrong. In fact, taking things at face value betrays naiveté, while readiness to debunk is the mark of the sophisticate, what David Riesman called an "inside dopester." At one point in Gilbert and Sullivan's *H.M.S. Pinafore*, Little Buttercup sings "Things are seldom what they seem, Skim milk masquerades as cream," so I'll call this jaundiced view the "skim milk" fallacy. Skim-milking, I believe, looms large among the factors that have opened the floodgates to oceans of nonsense.

The skim milk presumption that things are seldom what they seem was not given currency by any one writer or coterie, although Kuhn's work on the irrationality of science no doubt helped. So did Freud's doctrine that the reasons from which people think they act usually rationalize far less savory motives of which they are unaware. No, it took hold mostly because of the inordinate attention given four celebrated discoveries of things not being what they seem.

Now, I have no quarrel with the discoveries themselves. But they cannot be taken as typical of science, since they all concern

²Thomas Kuhn, *The Structure of Scientific Revolutions*, 2nd ed. (Chicago: University of Chicago Press, 1970).

phenomena on non-human scales. It is no wonder that common sense does not register quantum or relativistic effects; they happen too fast, on too great or small a stage, or at velocities not reached in normal experience. Evolution had no reason to prepare us for what happens in nanoseconds, at astronomical distances, or near the speed of light.

However, evolution did shape our faculties to work reliably at the dimensions at which economic and social phenomena take place. A creature poor at recognizing food or anticipating what his fellow-beings will do is apt to leave fewer descendants than more insightful competitors, so we, along with our minds, descended from these competitors. About matters at the scale of human behavior, how things strike us is an excellent guide to how they really are. That is why skim-milking is a fallacy.

Now to connect this fallacy to liberalism.

One of the most vexing aspects of liberal conventional wisdom is its extreme perverseness. Why do so many intellectuals believe such insane nonsense as the following:

- Punishment does not deter.
- Marriage is a form of prostitution.
- Males are innately like females.
- Homosexuals are just like heterosexuals.
- There are no race differences.
- Capitalism impoverishes.
- Individuals freely contracting to exchange goods are being coerced, but buying the only make of shoe from the Soviet State Department Store is freedom.
- Intelligence is irrelevant to life outcomes.
- Any student can perform at gifted levels if his teacher believes he can.
- Giving money to women who have illegitimate children does not encourage illegitimacy.
- Taxing something leads to more of it.
- Taxation is a good way to erase public deficits.
- Look-say is better than phonics.
- Diversity is strength.
- Josef Stalin meant the United States no harm.

Why, we constantly ask at conferences and in private conversations, would anyone believe such demented idiocy? Liberals are anti-experts: they can be depended on to be wrong. What they say is a trusty guide to what isn't true. Again, why?

Of course there are many specific causes—envy, guilt, identification with the underdog, the prospect of running the state's coercive machinery—but something must prepare the mind to accept what contradicts experience and common sense. This is where skim milking enters. I suggest that these things are believed *because* they contradict observation and common sense. The theme uniting the tenets of conventional liberal wisdom is that they all run exactly counter to experience; I think they are arrived at *from* experience, via the assumption that experience always misleads.

Imagine that you fancy yourself a deep thinker. You want to distinguish yourself from the hoi polloi by knowing things they don't. Being scientific is also desirable, and you've picked up the impression that the aim of science is to overthrow popular prejudices. (Remember, liberals tend to be more educated, so they have heard about these discoveries.) You may well then reason about human behavior like this:

- The sexes seem to differ, so they must be the same.
- Men and women seem to bond from profound emotions, so their association is commercial.
- Blacks do less well than whites and Asians in school, perform less well on standardized tests, earn less, and are more prone to crime, illegitimacy, and welfare dependency, so they must be as intelligent and achievement-oriented as whites and Asians.
- The thought of sex with another man repels heterosexual males, so the homosexual personality must be just like the heterosexual.
- English is a phonetic language, so it should be taught as if it were ideographic.
- Capitalism has led to prosperity wherever it has been tried, so it must be bad.
- Socialism never works, so it must be good.
- Nobody forces market interactants to do anything, so they aren't free.
- Under socialism you are not allowed to do what you want, so you are free.

- Everyone fears death, pain and loss of property, so threats of death, pain, or confiscation do not affect behavior.
- Smart individuals do well from the earliest grades in school, master difficult material that leaves the rest of us behind, and are counted on as the problem-solvers in the workplace; therefore, intelligence has nothing to do with success.
- Some people can't grasp simple ideas no matter how patiently we explain them; therefore, their failure is a response to our expectations.
- People become demoralized when what is theirs is taken from them, so raising taxes makes them work harder.
- Spending more than you earn is always disastrous, so governments can get away with it.
- People feel most comfortable with others like themselves, so they will love ethnic diversity.
- Stalin accepted a messianic creed whose Armageddon is a confrontation with capitalism; he possessed atomic weapons; he killed millions of his own countrymen in pursuit of his aims; so his meant us no harm.

Only a fully committed skim-milking liberal could dream up reasoning like this, but it all too easily gulls the average person, rightly impressed by science while wrongly convinced that science and common sense are at odds. Once again, there are many reasons that Joe Six-Pack acquiesces in liberal absurdities, but one, I suggest, is the skim milk fallacy. The paradoxes of liberalism are widely accepted by the public because it, too, is under the vague impression that science shows us what really is going on, as opposed to what seems to be going on.

Let's scrutinize the invidious relation of skim-milking to economic liberty. All forms of socialism come down to the belief, in Orwell's phrase, that freedom is slavery. Beneath the skin of bourgeois rights to non-interference lurks the skull of bondage. Recall that Marx impressed generations of intellectuals by calling his socialism "scientific." Earlier brands had been touted as morally superior to the market, but moral superiority is hard to prove empirically; here was socialism deduced from "laws" of history (that also has a nice ring). What conception of science encouraged the revolutionary Marx? Then, as now, the paradigm of a scientific breakthrough was the Copernican, where appearance was denied. Consequently, a "scientific" economic theory should also be one which denies appearances. Well, the one

thing obvious about trade, employment and other commercial transactions is that they are voluntary. Thus, a “scientific” theory should assert that they are not voluntary—that, for instance, employment is “wage slavery.” The worker is forced to accept a pittance for wages because there are other workers bidding for his job in the “economic system.” (Notice how skim-milking works hand-in-hand with reifying.) On the other hand, progressive taxation, on its face coercive, enhances freedom by reining in plutocrats. So too does a minimum wage law, despite its seeming to lop off a range of bargains. A novel invention or service so desirable that everyone wants to exchange goods for it is a monopoly which forces itself on helpless consumers. Prices set by the government, which to the uninitiated seem most coercive, liberate consumers from these monopolistic schemes.

The pattern of the old Marxist left, to construe what looks free as enslavement and what looks coercive as liberating, continues with Marx’s New Left children. You might think you can see by looking, as Yogi Berra would say, that men and women pair up because they want to, that in all societies women care for the children because they want to do so more than men do, and that men achieve more high-status positions than women because they choose to pour more of their energy into doing so. Ah, but you would be wrong. Men and women act this way because they are brainwashed by “patriarchy.” Only affirmative-action role models created by judicial fiat, jawboning of colleges to eliminate men’s wrestling in favor of women’s field hockey, and total war on stereotypes will free men and women to be themselves. And we would never have known any of this had we relied on appearances. Isn’t social science wonderful?

Ironically, Marx and his followers have overlooked another scientific revolution which also overthrew a few appearances but which, properly understood, deepens appreciation of the market. The theory of evolution showed the appearance of design in nature to be misleading. That most features of living organisms display the goal-directedness and efficiency of artifacts led mankind for many ages to think the natural world was created by a planner. As Darwin explained, however, design can be mimicked by randomly generated variations competing to reproduce under environmental constraints. The world may be an artifact in some ultimate theological sense, but so far as natural processes go, it merely simulates one.

Unplanned goal-directedness calls to mind the spontaneous, uncoordinated order that emerges as goods compete to survive in

the market. Animals must absorb energy and attract mates; goods must absorb factors of production and attract buyers. Complex ecosystems evolve, as only those organisms survive which can find sufficient food, and only those goods and services survive which can be transported to a sales-point. Both the wild and the market witness progressive refinement, as variations of surviving designs are generated and themselves culled, leaving the hardiest variants of variants. Early models (eohippus, the Reo) give way to later ones (Percherons, the Corvette), and crude methods of reproduction (mitosis, piecework) to more elegant (sex, the production line). Liberals fret about the unplannedness of the market. They call a health care non-system of private doctors, private insurers and private hospitals a “hodgepodge.” Here appearances really do deceive. Undesigned order is perfectly possible.

In recent years mathematicians have been developing general theories of replication, research illuminating not only the processes I’ve just mentioned, but also the more mysterious properties of socioeconomic systems, such as the emergence of morality. The market depends on good faith. But why do people keep their word when deception would be profitable? Why do we tend to punish greed when colluding with it would be advantageous? For reasons, it turns out, not far from those for which animals will not pursue combat to the death, and the ratio of males to females in a population remains about 50-50. At the same time, as you can see, this research also helps reduce large-scale system features to the behavior of competing individuals, driving another nail into the coffin of reification. In this, it is pursuing the true and permanent aim of science, the explanation (not the pooh-poohing) of what we observe.

So I end here with the beginning of a new topic. On the whole, Austrian economists probably suspect sociobiology—what I have been talking about—of being another form of reductionism, and will want to know the autonomous choice characteristic of humans can be prefigured in animal behavior. All things considered, Adam Smith probably read Darwin.