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ECONOMIC CONSEQUENTIALISM AND BEYOND

Because the cosmetic changes evident in this issue of *Critical Review* coincide with a change in its content, it may be a good time to review where the journal has been and explain where it is going.

Critical Review's history has had three phases, the third of which has just begun. It took the three years after our 1987 launching to discover that our modest initial goals were unattainable. We had aimed to bring radical free-market thought, then still on the intellectual fringes, into a bracing dialogue with mainstream economics, history, philosophy, political science, anthropology, and sociology. The aim was not only to make classical liberal ideas better known, but to test and strengthen them in the wind tunnel of learned criticism.

The Postmodern Detour

It soon became clear that this dialogue was taking place in only two disciplines, philosophy and economics—specifically, postmodern philosophy and Austrian-school economics. Once the inadequacies of postmodernism became apparent, it was clear why the other social sciences had been left out of our pages.

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A number of creative Austrian-school economists and libertarian philosophers had responded to our invitation to broaden the compass of classical liberalism by supporting, at some length,[1] the postmodern challenge to Truth and Science. They argued that this challenge was congruent both with the antipositivist methodological stance of the Austrian school, and with its repudiation of central planning. Since so few other classical liberals answered our call for papers (fortunately, nonlibertarians also participated), the libertarian side of *Critical Review* came to be dominated by recitations of the parallels between postmodernism and Hayekian liberalism.

This development exposed the weaknesses of contemporary classical liberalism more starkly than any point-by-point refutation might have done. For it highlighted the ideological imperatives that disable libertarianism. This may be surprising, in view of the leftist thrust of mainstream postmodernism. But it should be remembered that beginning with the Frankfurt school, the tendencies in the postwar European left that came to be called "postmodern" originated in a reaction against Stalinism. Hence the attacks on "the dialectic of Enlightenment" (Horkheimer and Adorno), "logocentrism" (Derrida), the "carceral society" (Foucault), the "metanarrative of modernity" (Lyotard), and so on were strikingly compatible with the libertarian repudation of statism and bureaucracy. (In his last years Foucault lectured on Mises and Hayek.) Moreover, the strictures of Hayek and Oakeshott against "constructivist rationalism" and "scientism" were in tune with the tendency of the European intellectual left to couch its emancipatory themes as refutations of Western *epistemology*.

These similarities—not to mention the self-undermining relativism of postmodernism—should have given pause to the classical liberal postmodernists. What becomes of Hayek's claim that the left relies on a hubristic understanding of reason, if today's left is resoundingly antagonistic to scientism and "the pretense of knowledge"? At best, Hayek's thesis becomes applicable to formerly existing socialism in the East and, in the West, to the likes of the British Fabians and the American Progressives. Central as these scientistic movements were in shaping the modern world,[2] they are very distant from postwar intellectual life—which demonstrates (as do Marx's humanist writings, upon which the Frankfurters drew)

that scientistic rationalism is not a necessary aspect of the left-wing outlook.

What instead characterizes the left is the very quality on which classical liberals pride themselves: a commitment to individual freedom as the ultimate value. The difference between classical liberalism and the left is that the latter takes seriously the egalitarian premises implicit in the former. By shying away from the Stirnerite apotheosis of freedom for only one or a few individuals—instead embracing equal freedom for all—classical liberalism naturally leads to attempts to actualize freedom by redistributing the resources individuals need to freely pursue their projects. Libertarians who see themselves as oppression's most dedicated opponents fail to realize that their ideology is neither the opposite of leftism nor its most perfect embodiment, but its mild, superseded precursor. Hayek's exaggerated tale of the hegemony of a protosocialist "engineering mentality" after the French Revolution only obscures how logical the leftward progression away from classical liberalism was.[3]

By equating the left with "constructivist rationalism," Hayekians duplicate the postmodern left's equation of the bureaucratic state with "modernism." Like postmodernists using a critique of the Enlightenment to distance themselves from totalitarianism and technocracy, classical liberals use Hayek's critique of scientism to distinguish themselves from more consistent advocates of equal individual freedom to their left. Indeed, Hayek's attack on scientism as the source of modern ills could have been produced by the Frankfurt school—except that Hayek differentiates between the French Enlightenment, which he condemns as scientistic, and the Scottish Enlightenment, which he reveres.

In attempting to transcend scientism, however—going beyond a fallibilist and humanistic critique of positivism to repudiate the ideal of objectivity—postmodern Hayekians undermine the actual bases of their opposition to statism: claims about the objective nature of economic reality. In this way, the ideological need to deny the legitimacy of post-classical forms of liberalism unintentionally leads, by way of postmodernism, to the reinforcement of libertarianism's worst feature: its aprioristic approach to the question of the role of the state. For if there is no objective truth toward which empirical research into this question can lead us, then what purpose, except propaganda, does such research serve?

From Postmodernism to Postlibertarianism

Between 1989 and 1994, *Critical Review* debated not only the emancipatory premises and metaphysical conundrums of postmodernism,[4] but, more significantly, the deficiencies in classical liberalism that had made some of its most creative adherents susceptible to postmodernism. Among these deficiencies are Hayek's narrative of constructivist rationalism and its antithesis, spontaneous order;[5] the unstable classical liberal mix of arguments for the benefits, and claims about the intrinsic value, of laissez faire;[6] and, in turn, the libertarian ideas that give rise to classical libertarian deontology.[7]

I have called the move from deontology to consequentialism "postlibertarianism." I did not choose this term because it describes a position born of criticizing *post*modern *libertarianism.* Rather, it refers to a new perspective achieved by passing through and, in Hegelian terminology, "sublating" libertarianism: that is to say, by experiencing and resolving the contradiction between libertarianism's consequentialist origins and its deontological conclusions.

Libertarianism originates in a posteriori free-market economic teachings that grew out of the generally utilitarian concerns of the Enlightenment (in its English, French, *and* Scottish variants). Libertarians superimpose on these teachings a fundamentally incompatible commitment to individual freedom as an intrinsic good. Libertarianism thus imitates the larger liberal pattern, in which the Christian preoccupation with freedom is severed from the Christian conviction that true freedom is to be found not in doing what one wishes, but in wishing and doing what is good. (Ironically, this liberal move toward deontology originally achieved the *teleological* good of civil peace against the threat of religious warfare.) When libertarians add, to the liberal endorsement of negative liberty as an end in itself, a conflation of negative liberty with private property, investigating the substantive effects of alternative economic systems becomes either pointless or valuable only as propaganda—just as with postmodern libertarianism.

Postlibertarianism is, then, an attempt by ex-libertarians not only to shed their previous normative commitments, but to reclaim what those commitments precluded: a determination to investigate the effects of capitalism on "the good." Postlibertarianism is not an ideology, but a research program undertaken by those who, be-

cause of the decisive role of economics in libertarian thought, have experienced the characteristically liberal contradiction between apriorism and consequentialism with an immediacy that is unavailable to most liberals—and have chosen consequentialism.

"Antilibertarianism" might seem a better term than "postlibertarianism," but for two considerations.

First, consequentialism is truer to the roots of libertarianism than is libertarian doctrine itself. The initial impetus toward free-market conclusions was provided, after all, by arguments made by the Physiocrats, the Scottish political economists, and their followers in economics. In dismantling the deontological superstructure that has been erected atop those arguments, we want to reclaim the original Enlightenment commitment to unprejudiced empirical inquiry in the service of human well-being.

Second, nothing about consequentialism precludes libertarian policy conclusions—any more than it guarantees them. Wilhelm von Humboldt and, arguably, John Stuart Mill reached such conclusions using only consequentialist evidence, although, as a result, they could not limit the state as thoroughly as modern libertarians would like. On the other hand, postlibertarianism *can* mean antilibertarianism if valuable consequences can be shown to flow from exercises of state power. Among the *philosophes* were both paternalistic counselors to enlightened despots and pioneers of laissez faire. Everything turns on the contingencies of empirical research. Alongside the debate over postlibertarianism, accordingly, *Critical Review*'s second stage saw spirited exchanges between those who indicted government action and those who blamed market forces for economic problems.[8]

Among these debates has been a protracted excursus into the claims of "free-banking" economists that macroeconomic crises are not caused by the market economy, but by the state's regulatory efforts. This debate concludes, at least for now, with the contributions of Geoffrey Hodgson, George Selgin, Charles Kindleberger, and Steven Horwitz in the present issue. In future issues we hope to publish analyses of the effects of the Industrial Revolution on human welfare, and of the causes of unemployment, urban decay, and minority immiseration. We welcome submissions both from those who attribute these problems to market forces and those who suspect the state. (It should be mentioned that in an effort to foster nonideological research and reflection, we discourage papers that

argue in favor of or against policy proposals, restricting ourselves to examining the genesis of social problems. Policy inferences are best left to our readers.)

From Postlibertarianism to Postliberalism

The third stage in *Critical Review*'s evolution, which began with our recent special issue on communitarianism,[9] expresses our growing awareness of the inability of economics to compare all the consequences of different social systems.

First of all, philosophy must determine what consequences are desirable; this explains the appearance, in a journal of political and social inquiry, of recent articles on beauty and art as goods.[10] The only "good" ruled out by the postlibertarian critique of deontology is freedom—not necessarily because freedom is not good, but because, as the mere ability to choose either goods or evils, it cannot be considered *intrinsically* good.

Assuming, however, something like the classical view that the highest good is happiness, evaluating social systems in terms of their consequences will mean comparing the degree of happiness, not just the amount of wealth, likely to flow from them. Recent articles on the possibilities for community within liberal society contribute to this task,[11] as do the papers in this issue by Robert E. Lane, James Q. Wilson, and Colin Campbell, which discuss whether or not the consumer society leads to human satisfaction. (These papers are somewhat schizophrenically juxtaposed against the ones on government financial regulation, which take for granted, as economics is licensed to do, that the maximization of wealth is desirable.) In future issues, sociologists, social psychologists, anthropologists, historians, and evolutionary psychologists will address topics that illuminate whether modernity in general, and capitalism in particular, have been conducive to happiness.

The suspicion that this is an improper or unwise line of inquiry will not, I believe, be confined to libertarian precincts. Liberals doubt that the task of political philosophy is to investigate the preconditions of happiness, as opposed to justice—or rather, they insist that the two be separated, so that justice consists in allowing to the individual the freedom to decide for him- or herself what happiness is, and how best to pursue it.

The liberals' preference for formal over substantive political theory is, however, as disloyal to their foundational concerns as the classical liberals' sanctification of laissez faire is to their underlying commitment to human welfare. Liberals of all stripes tend to distort their commitment to equal well-being by inquiring into how to ensure not well-being, but its proxies: the ability to pursue one's chosen goals through equal access to wealth, employment, education, political participation, and, more recently, through the resources made available by one's cultural identity.

Ensuring that people can pursue whatever it is that they decide is good—through their ballots, their purchases, or their unmolested freedom of action—only maximizes well-being if one assumes that people desire well-being; that they know how to achieve it; and that they are able to achieve it, given the proper distribution of resources within a society whose basic contours are modern. These are empirical claims that, surely, require substantiating evidence. Yet Lane's article suggests that even in their personal decisions, people are widely mistaken about what makes them happy. Similarly, Schumpeter, anticipating much recent public-opinion research (to be discussed in these pages), suggested that in making political decisions, we are, all of us (politically engaged intellectuals as well as the disengaged majority), abysmally lacking in information that would render democratic public policy rational.[12] Further evidence of political irrationality is abundant, at least at first glance, when one examines the phenomenon of nationalism—the subject of a forthcoming special issue of *Critical Review*. In some tension with this view, but not necessarily at odds with it, are rational-choice approaches to political behavior, which also will be debated in a special issue.

A Schumpeterian disdain of democratic competence does not necessarily mean, of course, that there is a better alternative to democracy; it may well, however clumsily, best ensure at least—or rather, at *most*—that gross errors in government are eventually corrected. Schumpeter may, however, provide an as-yet undeveloped reason to worry about conferring vast responsibilities on the state: competent action may decline as the decisionmaker—bureaucratic or democratic—gets farther from the particulars.

Nor does Lane's view entail that the state should micromanage people's personal affairs; even acknowledging that folly is ubiquitous, a strict prohibition against paternalistic legislation could be

based on the tendency of such legislation to produce even worse outcomes than leaving people alone. But precisely why should that be the case? Lane's arguments *might* justify state paternalism if evidence of its counterproductivity is lacking, and especially if there are systemic conditions that frustrate even well-informed individual efforts to make wise choices.

Because postlibertarianism has led us to a concerted attempt to broach these issues, *Critical Review* may be interesting to more readers than those merely curious to observe the autocritique of libertarianism (by some accounts, the latest fad to sweep politics in the United States).[13] Important as the differences are between libertarianism and social democracy, it remains true that both are species of the liberal approach to politics that has not only dominated the West for two centuries, but continues to spread across the world. Libertarianism illustrates the tension between the teleological and deontological aspects of liberalism in an arresting form. Postlibertarian inquiries may, therefore, prove instructive to scholars who haven't the slightest interest in free markets or private property as topics in their own right.

NOTES

1. A skeptical and nuanced appropriation of postmodernism is found in Dennis Auerbach, "Liberalism in Search of Its Self," *Critical Review* 1, no. 3 (Summer 1987): 7–29. The quite different approach criticized in the text is exemplifed by Tom G. Palmer, "Gadamer's Hermeneutics and Social Theory," ibid., 91–108, at 102–107; Don Lavoie, "Polanyi's Critique of Objectivity," ibid., 109–116, at 114ff; Donald N. McCloskey, "The Two Cultures and Methodology," ibid., 124–27; G. B. Madison, "Postmodern Philosophy?," *Critical Review* 2, nos. 2–3 (Spring-Summer 1988): 166–82; idem, "Hayek and the Interpretive Turn," *Critical Review* 3, no. 2 (Spring 1989): 169–87; idem, "How Individualistic Is Methodological Individualism?," *Critical Review* 4, nos. 1–2 (Winter-Spring 1990): 41–60; Gregory R. Johnson, "Hermeneutics: A Protreptic," ibid., 173–211; James D. McCawley, "The Dark Side of Reason," *Critical Review* 4, no. 3 (Summer 1990): 377–85; and Madison, "The Politics of Postmodernity," *Critical Review* 5, no. 1 (Winter 1991): 53–80. In a similar vein, see Peter J. Boettke, *Why Perestroika Failed: The Politics and Economics of Socialist Transformation* (New York: Routledge, 1993), 144; and David L. Prychitko, *Marxism and Workers' Self-Management: The Essential Tension* (New York: Greenwood Press, 1991), passim. The two postmodern approaches confront each other in an exchange between Auerbach and Palmer in *Critical Review* 2, no. 1 (Winter 1988): 144, 146–47.

2. One wonders, as well, whether the fact that the Fabians, Progressives, and Leninists were able to draw on scientistic currents of thought was a *necessary* condition of their scientistic proposals. It could be argued, I believe, that "constructivistic" policies are simply intuitive responses to social problems in societies where there is a recognized locus of supreme authority (i.e., a state).
3. F. A. Hayek, *The Counter-Revolution of Science: Studies in the Abuse of Reason*, 2nd ed. (Indianapolis: Liberty Press, 1979). I criticize Hayek's view in "The New Consensus: II. The Democratic Welfare State," *Critical Review* 4, no. 4 (Fall 1990): 633–708, at 696–97n51; and in "After Libertarianism: Rejoinder to Narveson, McCloskey, Flew, and Machan," *Critical Review* 6, no. 1 (Winter 1992): 113–52, at 142–44. The logical progression from classical to leftist liberalism presented by Durkheim, Simmel, and Lorenz von Stein is summarized in my "Cultural Theory as Individualistic Ideology," *Critical Review* 7, no. 1 (Winter 1993): 129–58, at 150–51.
4. See *Critical Review* 5, no. 2 (Spring 1991), a special issue on postmodernism; Donald N. McCloskey, "Minimal Statism and Metamodernism," *Critical Review* 6, no. 1 (Winter 1992): 107–12; Jeffrey Friedman, "After Libertarianism," ibid., at 140–46; Raphael Sassower and Joseph Agassi, "Avoiding the Posts," *Critical Review* 8, no. 1 (Winter 1994): 95–111; Ingrid Harris, " 'Instincts into Sacred Cows': Are Hermeneutical Universals *Reducible* to Agreement?," ibid., 113–36; Jeffrey Friedman, "Truth and Liberation," ibid., 137–57.
5. See Friedman articles cited in n2 above, and Laurent Dobuzinskis, "The Complexities of Spontaneous Order," *Critical Review* 3, no. 2 (Spring 1989): 241–66. Also see pp. 84–88 of Dallas Clouatre's "Making Sense of Hayek," *Critical Review* 1, no. 1 (Winter 1987): 73–89, the most penetrating critique of Hayek that has been published anywhere, as far as I know; and Robert J. Antonio, "Reason and History in Hayek," *Critical Review* 1, no. 2 (Spring 1987): 58–73.
6. Friedman, "The New Consensus: II," at 661–66; W. William Woolsey, "Libertarianisms: Mainstream, Radical, and Post," *Critical Review* 8, no. 1 (Winter 1994): 73–84; David L. Brooks, "The Problems of Postlibertarianism," ibid., 85–94.
7. Auerbach, "Liberalism in Search of Its Self"; Ryszard Legutko, "Society as a Department Store," *Critical Review* 4, no. 3 (Summer 1990): 327–43; Friedman, "The New Consensus: II," at 638–660; Jan Narveson, "Libertarianism, Postlibertarianism, and the Welfare State," *Critical Review* 6, no. 1 (Winter 1992): 45–82; Antony Flew, "Dissent from 'The New Consensus,' " ibid., 83–96; Tibor R. Machan, "The Right to Private Property," ibid., 97–106; Friedman, "After Libertarianism," ibid., 113–52.
8. For examples, see *Critical Review*'s special issues on Keynesianism (Summer-Fall 1989), the welfare state (Fall 1990 and Fall 1993), big business (Fall 1991), environmentalism (Spring-Summer 1992), and the regulatory state (Spring-Summer 1993).

9. *Critical Review* 8, no. 2 (Spring 1994).
10. Warren Shibles, "Humanistic Art," *Critical Review* 8, no. 3 (Summer 1994): 371–92; Laurie Calhoun, "Institutions and Deviance: Art and Psychiatry," ibid., 393–409.
11. Peter Simpson, "Liberalism, State, and Community," *Critical Review* 8, no. 2 (Spring 1994): 159–73; James Hudson, "Individual and Community," ibid., 175–216.
12. Joseph Schumpeter, *Capitalism, Socialism, and Democracy*, 3rd ed. (New York: Harper and Row, 1950), 256–68; Philip E. Converse, "The Nature of Belief Systems in Mass Publics," in David Apter, ed., *Ideology and Discontent* (New York: Free Press, 1964), 206–61; and the vast post-Converse literature (for example, most recently, Benjamin I. Page and Robert Y. Shapiro, *The Rational Public* [Chicago: University of Chicago Press, 1992]).
13. E.g., Gerald F. Seib, "Libertarian Impulses Show Growing Appeal among the Disaffected," *Wall Street Journal*, January 10, 1995: A1, A4; E. J. Dionne, Jr., "Libertarians' Lure," *Washington Post*, December 6, 1994.