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THE "OBJECTIVITY" OF SCHOLARSHIP AND THE IDEAL OF THE UNIVERSITY

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I. INTRODUCTION

In order to justify universities and research institutes, and what they can and should be, besides responding to the dominant interest in the economy, one has used, for decades, a differentiation which does not exist. I mean the difference between applied research and basic research. In truth there can be no other research except basic research. That means there is no other type of research except research which in its own activity is not concerned about the practical and pragmatic purposes which may be related to it. The freedom of the will to know consists exactly in pursuing to the end all possible doubts and one's own possible self-critique. So it is already indicated that the situation of the university in modern society is necessarily a critical one. It must seek to discover a balance between the duty to prepare students for a profession and the duty to educate which lies in the essence and activity of research. Not without reason has the characteristic word for industrial work, namely the word 'industry' [Betrieb], been extended into the research sector. We speak unreservedly of the research industry and regard our place of work as an industrial institution. In fact, all the professions we know are dependent upon the research industry and teaching industry—the doctor, the lawyer, the economist, the minister, and not to forget all the teachers who through their profession indirectly have the broadest area of influence in the modern state. We need to think through the continual opposition between the educational task of the university and the practical utility which society and the state expect from it (Gadamer 1986, p. 49).

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What is scholarly "objectivity?" It is both a false hope and a legitimate value.

The legitimate value the word "objectivity" names is that of making a serious effort to honestly disclose the truth, regardless of the temptations the world may place before us to do otherwise. It refers not only to a seriousness about the pursuit of truth, but a passionate, unswerving, incorruptible doggedness about following the research wherever it goes, a patience to keep trying when easy answers don't readily appear, a willingness to risk one's deepest beliefs against the claims of others, and a commitment to listen to others in order to learn. It is a demanding moral criterion, involving, as Gadamer puts it, "pursuing to the end all possible doubts and one's own possible self-critique." When it is achieved it embodies the fundamental ideal of higher education. The university, when it is what it aspires to be, is a haven for those who adhere to these values, and who enhance one another's capabilities by engaging in unrestrained discourse in terms of them. The main thing students can get from a college education is to learn the virtue of these values, and to make them their own. I will call this idea of objectivity "openness."

The false hope the word objectivity also names is that of achieving this legitimate value by means of an institutional or intellectual separation from the world. Institutionally, the hope is couched in terms of (somehow) insulating the scholar from the temptations of market rewards or of political power. Intellectually, the hope is couched in terms of (somehow) attaining a stance of value-freedom, of either unprejudiced theoretical contemplation or direct empirical observation, which manages to forget or suppress the situated moral context from which the pursuit of truth always proceeds.

I'll call this false ideal of objectivity "detachment," and will criticize it in sections II and III. My critique suggests that "historicism" is the culprit. Historicism may be defined as the point of view that seeks to dispense with theory in the human sciences. It pursues this goal by trying to completely sever theory from any involvement with the empirical world from which theoretical questions arise, and to which they are directed. It demands of the empirical investigator a detachment from her own presuppositions, and an immersion in the details of the historical process under study. Pointing to the critiques of historicism provided by the economist Ludwig von Mises and the philosopher Hans-Georg Gadamer, I argue that scholarship needs to recognize its connectedness to the institutions and intellectual values which it serves.

I contend that the intellectual and institutional ideals associated with detachment are both impossible and undesirable. The institutional dangers of market and political "contamination" are misleadingly put, and exaggerated as compared with other sorts of dangers. And the intellectual ideal of detachment encourages the belief that moral values do not belong inside the scholarly world, a belief that does little to promote the inculcation of the moral virtues which in fact objectivity as openness demands. The two notions of detachment together have been positively harmful, making the noble ideals

of scholarship an easy target of derision, and leading to a real crisis of higher education, in which the value to society of scholarly objectivity in the legitimate sense of the term is now widely unappreciated.

Universities have often been attacked from the ideological left for "prostituting" themselves to market and political forces instead of serving their own ideals. The notion of prostitution is suggestive of the prevailing attitude. Scholars, it is feared, are selling their souls to outside clients in order to eke out an existence. The danger to "objectivity" comes from external influences, from the temptations of private sector consulting money, or lucrative government contracts, which lure the scholar toward projects that pay the rent, and away from the sorts of genuine research that would be called for by the current state of knowledge. To improve, that is, to become more objective, universities need to restore their own sources of funding, so that their scholars will not be shopping around for monetarily attractive but intellectually dubious projects. For these critics, detachment, either institutional or intellectual is the ideal, but poverty and human imperfections prevent many scholars from attaining it.

Recently the academy has come under fierce attack by critics from the other end of the ideological spectrum, conservatives such as Anderson (1992), Bartley (1990), Bloom (1987), D'Souza (1991), Sowell (1993), and others.¹ The extraordinary venom of the language with which some of these writers condemn higher education is a sign of the extent to which the university's basic legitimacy in contemporary society is at issue. In a well known diatribe against higher education, *ProfScam*, Sykes (1988, p. 7) calls American universities "vast factories of junkthink." A book review in the catalogue of the classical liberal bookstore, *Laissez Faire Books*, asks whether higher education can be "revived from its cesspool of mediocrity and corruption."²

For the conservative critics detachment is still the relevant consideration, but instead of idealizing it, they demonize it. They contend that higher education is comfortably insulated from market forces, and identify this insulation as the cause of its increasing irrelevance. Arrogant professors, it is said, do research on whatever interests them, regardless of what their "customers," the students, want. Professional advancement in the academic community is gauged by standards that are formed internally to that community, and in complete disregard for the question of how the results of academic efforts can help anybody outside of academia. The claim by the critics is that were academics to view themselves more as entrepreneurs in the intellectual marketplace, instead of privileged aristocrats in the ivory towers, the university would be better able to serve society. The solution lies in forcing the academics to show more deference to the outside world upon which they are dependent, stop judging themselves by their own self-serving criteria, and start obeying their customers. "Consumer sovereignty" should dictate their activities.

Many scholars respond to this in horror, offended at the implication that universities ought to abandon responsibility for maintaining their own standards of scholarly quality, that they should succumb to the crass discipline of impersonal and amoral market forces. They insist that their sublime activities in the pursuit of scholarly values ought to maintain a protective distance from the grubby world of commodities, that what higher education aspires to has nothing to do with the peddling of wares to customers.

Some of the attacks, from either side, on the irrelevance of modern university research are certainly deserved. There is much "research" going on in academia which it would be difficult to defend as worth anything to anybody. Much of it, as the leftists contend, is the research paid for by outside contracts and grants, which often promises little intellectual fruit. And also much of it is generated by internal priorities, which, as the conservatives argue, are frequently too isolated from real world relevance. But the preoccupation with the issue of detachment distracts us from the real problems of contemporary scholarship.

I will attempt to defend universities from both of these kinds of critiques. I will contend that both the right- and left-wing critics of universities exhibit a basic misunderstanding of markets when they take consumer sovereignty to mean that producers meekly substitute the consumers' standards of quality for their own. Israel Kirzner's important contributions to economics show, on the contrary, that entrepreneurs in the market are often active inventors of solutions that no consumer has yet imagined, and that they are not passively obedient to the consumer's unilateral dictates.

Like the conservative critics, I support the idea that scholarly production should be responsive to competitive market forces. But like the leftists I respect the ideal of a certain autonomy for scholars to be free to pose the questions they consider worth posing, and to follow internally-generated criteria of what makes for quality research. But this relative autonomy is not contrary to consumer sovereignty, but consists precisely in a profound responsiveness to the consumers and investors of higher education.

The last section uses Kirzner's work on entrepreneurship to challenge the interpretation of consumer sovereignty as passive obedience to the market, but it challenges it not only for scholarly production but for all production processes. The kind of connectedness scholarship ought to have to the outside world is not different in kind from that which any other kind of production has to its outside world. In effect I will argue that scholars are more like business entrepreneurs (and vice versa) than either seems to like to admit. The ideal university offers an appropriate home for relatively autonomous scholarly activity, and yet is integrated with, and offers enormous benefits to, the market in which it is situated.

The problem with academia today, I think, is that the legitimate value named by the word "objectivity" is commonly misunderstood. The cure for the ailment

is neither to patch up the leakage of influence across the alleged walls of the ivory tower, nor to simply make academics meekly subservient to their customers. The cure may lie in replacing the notions of institutional and intellectual detachment with the fundamental moral value of openness in the search for truth.

II. OBJECTIVITY AS INSTITUTIONAL DETACHMENT

Economic calculation cannot comprehend things which are not sold and bought against money.

There are things which are not for sale and for whose acquisition sacrifices other than money and money's worth must be expended. He who wants to train himself for great achievements must employ many means, some of which may require expenditure of money. But the essential things to be devoted to such an endeavor are not purchasable. Honor, virtue, glory, and likewise vigor, health, and life itself play a role in action both as means and as ends, but they do not enter into economic calculation....

Loquacious sermonizers disparage Western civilization as a mean system of mongering and peddling.... In the eyes of these babblers money and calculation are the source of the most serious evils. However, the fact that men have developed a method of ascertaining as far as possible the expediency of their actions and of removing uneasiness in the most practical and economic way does not prevent anybody from arranging his conduct according to the principle he considers right. The 'materialism' of the stock exchange and of business accountancy does not hinder anybody from living up to the standards of Thomas à Kempis or from dying for a noble cause.... It is not true that honesty does not 'pay.' It pays for those who prefer fidelity to what they consider to be right to the advantages which they could derive from a different attitude (Mises 1966, pp. 214-216).

If scholarly "objectivity" in the legitimate sense is to be protected from contamination by the allure of money and power, one might imagine two alternative strategies: an institutional isolation by which the temptations are avoided in the first place, or a straight-forwardly moral culture in which the virtues of strict adherence to the standards are so thoroughly inculcated that the rules are rarely broken. The first, taken up in this section, might be called the monastic approach, the second, taken up in the next, could be called the moral suasion approach.

A. Are Universities Insulated from Market Forces? Should They Be?

Higher education bears the marks of many years of trying to protect the objectivity of scholarship by taking the monastic approach, trying to make universities into intellectual monasteries where its inhabitants would be shielded from the seductions of money and power. Many features of contemporary universities confirm that they have been attempting to turn themselves into civilized islands of purity, buffered from the seas of barbaric unscholarliness that surround them. There is the whole physical separation of

campuses from the outside world, the tortured distinction academic administrators try to make between inside and outside funds, the limitations put on consulting activities, the separate accounting systems in terms of FTE (full time equivalents) that state universities put in place to control teaching activities, the disconnect between revenue from enrollments and rewards to employees, and so forth. A common rationale for using taxes to support universities has been premised on the notion that this would protect them from "strings attached," strings that are somehow thought to be uniquely attached to private sector support. In so many ways universities clearly have been seeing themselves as, for better or worse, in a world apart.

This sense of being utterly different is reflected in the resistance one meets to any suggestion that the principle of consumer sovereignty, which is widely thought to be a good thing in many other contexts, ought to apply to scholarly production.³ Indeed one finds resistance even to calling what is going on in academic institutions a "production process," or what is being created a "product," or the audience of the work a "market." Academic workers do not merely have a wage-paying job, they have a higher calling. The services and products of this calling, the teaching of students, the scholarly articles, are not mere commodities, and the recipients of the efforts are not best seen as customers. The whole economic way of talking about production for a market clashes with the self-image of most college professors.

The conservative critics of universities leap at this resistance and argue that this is exactly what is wrong with higher education. Were consumer sovereignty to reign in this industry, they suggest, much of what goes on in the universities would be forced by market pressures to stop. The conservative critics agree with the leftist defenders that the world of academia is set apart from the rest of the market. They will also cite in this regard the substantial government funds most colleges receive, which many business-persons envy, and the attractive employment contracts, including long summers "off" and tenure, which many workers in other industries envy. Thus there is certainly an appearance of detachment, and of special privilege, and there is much in the rhetoric of the place, whether that of the critics or the proponents, which implicitly assumes the separation.

But how seriously should we take all this? There is something here that doesn't quite ring true. To be sure, there certainly are individual scholars who manage to sequester themselves away from the concerns of anybody outside of their own specialized field, and there are even whole fields of research residing within the protection of universities that seem to have lost most of their contact with the rest of the world. But it seems hard to describe any university, whatever its aspirations, as effectively isolated from the market. This "monastery" is thoroughly infested with the mundane world at every turn. It keeps budgets in the coin of the external realm. It bids against other colleges when it seeks grants and bequests, when it purchases materials, hires services,

and recruits talent, competing intensely for its students and for its faculty and staff.

Higher education is, as one of its severest critics, Martin Anderson, points out, one of America's big industries, and judging by its continuing growth, it is a highly successful one. In 1960 the total budget of the nation's colleges and universities was about \$7 billion. In 1989 it was \$130 billion.⁴ Anderson refers to America's colleges, the firms of this big industry, as "mini-socialist states,"⁵ and attributes their difficulties to their insulation from market competition. But any college in the United States faces brisk competition from thousands of domestic and foreign rivals. A recent study by the Carnegie Foundation for the Advancement of Teaching put the number of accredited post-secondary institutions in the United States at 3,600, up by over two hundred from the count of their last study in 1987.⁶ People come from all over the world, at considerable personal and financial cost, to attend American colleges. Indeed higher education is one of America's most impressive export products. People are choosing to pour an awfully large amount of money into American colleges, and if these institutions are "vast factories of junkthink" and "cesspools of mediocrity and corruption" these consumers must be dense indeed.

I think the conservative critics do make a telling point when they question the use of taxation to support higher education. The funds universities receive through the coercive powers of government represent an unfair advantage as against many other institutions which lack this source of funding, including those colleges which receive less of it. Moreover even the partial protection colleges receive from competition has negative effects. It is possible for many colleges and universities to pay less attention than they should to the interests of the voluntarily-paying customers and investors when a substantial proportion of their support comes through taxation.

Coercive interventions into the market process can perpetuate error by protecting from competition the producers who err. This represents the issue on which the conservative critics of higher education have been able to make their most effective arguments, and in my view nearly all the aspects of higher education today which tend to bother the general public come down to this. Maybe a sabbatical to study some obscure question in mathematics is a very nice idea for the professor, and maybe his hunch is right that working on it will prove one day to have advanced our society's store of mathematical knowledge, but why should we taxpayers have to pay for it?

Why indeed? I personally take a radical view on these things, and would favor relying exclusively on voluntary methods throughout the economy, but a more modest argument could be made that higher education is a particularly inappropriate industry to support by taxation. Basic research, which I contend is the fundamental business of higher education, is necessarily a matter of exploring new ideas before they could yet have become widely understood and

valued. What scholars want to have in universities (and what I think the primary demanders in their market want them to have, so long as they are accountable) is a place where they are free to investigate any topic they find promising. A scholar would like to be able to do so without first having to justify to, say, a Congressional committee, why the question is worth studying. The virtue of the market is that it facilitates an astonishing diversity of funding possibilities. If a scholar happens to want to investigate something that the political system would have found too hot or too obscure to handle, say, lesbian images in early twentieth-century Chinese literature, it is not unlikely that some individual investor could be found to pay for it. But how likely is it this could get through Congress?⁷

Leftist academics routinely assume that subjecting themselves to market forces would threaten their more obscure work, and so they plead for continued government support. Right-wing critics make the same assumption, and urge the government to remove the funding. Ironically I think if the conservatives win and universities become more subject to market rather than political pressures, the rarefied research, even work in Marxism and gay studies, will be *less* vulnerable to attack. All that scholars who are convinced that they are asking important questions need to do in a free market is find some voluntary consumers or investors for their work, foundations, businesses, or individuals willing to support it. They do not need to control the political system, or sway the median voter.

So it can be argued that higher education as a whole would benefit from a continuation of the present tendency for replacing taxation as its basis of funding with tuition, grants, and contracts. Reducing government support would not destroy our institutions of higher learning. America's industry essentially depends on the professional training and liberal arts education provided by its colleges. And higher education is one of the most popular targets of generosity, so that if its subsidies and corresponding taxes were reduced one could expect a significant proportion of the loss to be replaced. Of course, we'd expect the proportion to be less than 100 percent, and that some colleges would go bankrupt, as happens now and happens in any market, but the overall health of the industry would be strengthened.

Even so, the conservatives exaggerate the extent of current governmental involvement in this industry. Whatever insulation from market forces American colleges can be said to enjoy has never been more than partial, and is diminishing. Anderson (1992, p. 197) makes the facile claim that colleges and universities are "about as close as you can get to socialism in this country." Yet by his own figures (1992, p. 29) he admits that only about 20 percent of the funding of private universities comes from taxes, and even the so-called public universities get only about 60 percent of their funding from governments. This proportion is gradually dropping, and the bureaucratic rigidities that come with the tax money are so restricting that several public universities are

considering privatizing, just so they can make their decisions more flexibly. When nearly half of the funds of state universities come from the voluntary choices of paying customers and donors, it is hard to describe these institutions as comfortably insulated from the market. On the contrary, they have always been situated within market forces, and increasingly they are feeling the effects of competition. And it is good for them.

Are university professors a uniquely privileged class, enjoying working conditions that would be the envy of the rest of the society? I'm not so sure. Although professors at research universities often get paid summers off from teaching, they are expected to use that time to do research, and since that, of all the work they do, is the part which makes the biggest difference in their raises, they tend to work hard in the summer. In liberal arts teaching colleges professors typically get summers off without pay, during which they often work at their research anyway.

What about that controversial institution of academic tenure? Surely this sets college professors apart from workers in other fields, who can never expect a guaranteed job. Yet as Sowell (1993, pp. 274-277) has pointed out, a careful economic analysis of the effects of tenure does not suggest that it privileges academics over other workers in the job market, it only shifts the uncertainties of employment onto the professorial underclass, untenured, and part-time professors.⁸

If academic working conditions are attractive, it is not because people in this industry don't have to work hard. I suspect that academics tend to enjoy their work so much that they work harder and for longer hours. They may have a self image that they do all this for a higher calling, and are unconcerned about the crass economic side of it all. But so do many workers who take pride in their work. Whatever can be said about them they are not insulated from the market. They work for wages, which vary in accordance with professional accomplishments, and they respond to incentives. They may prefer to think of themselves as unconnected to the mundane world of buying and selling, and to be living instead *The Life of the Mind*, but let's get real. They are earning a living in the higher education industry. They are part of the economy.

The point is not that the sense many academic workers have of pursuing a higher calling is to be cynically dismissed. The point is that this sense is shared by people who like their work everywhere in the economy. Medical doctors are typically just as offended to be told that they sell services to a health care market; software engineers are just as offended to be told that their beautiful code is a "commodity" for sale to the highest bidder.

What is wrong here is the reductionistic connotations of economic language, which makes it sound as if being oriented toward markets is inherently degrading, like prostitution, while adhering to professional standards of excellence is something necessarily completely different and uplifting, like romantic love. The sense academics have of being outside of, and in a sense

above, the market is not something that makes them different from other producers; in our culture, suspicious of markets as it is, this sense of being above the ordinary exchange nexus is the norm. But the real market is precisely made up of such products that are more than mere commodities, and of such producers who adhere to professional standards they consider sacred.

In short, friends and foes of "higher" education paint a picture of an isolated tower separated and protected, for good or ill, from market forces, but something is wrong with this picture. Perhaps universities have wanted to set themselves apart from the nonacademic world, but they are nevertheless deeply and inextricably connected to it.

B. Mises' Answer to Historicism

Ludwig von Mises' general theory of human action, and the way he deployed it to criticize historicism, is a useful framework from which to view the goal of institutional detachment. Historicism is the point of view that the Austrian school throughout its history has been most concerned to answer, from Menger's critique of the German historical school, to Kirzner's critique of the alleged historicist tendencies of Ludwig Lachmann and George Shackle.⁹ In the nineteenth century, economics in the German-speaking world was dominated by historicism, a point of view that denies the potency of general theories of social phenomena, and thus amounts to a wholesale rejection of economic theory. It pretends to "tell it like it is," to tell the historical story directly as it happened, untainted by theory, or other presuppositions we the social scientists might bring to it.

Classical economists had been in the habit of treating economic behavior as a special type, reflecting a particular kind of business rationality. This made it easier for their historicist critics to dismiss economic theory as only relevant to a particular model of man, a rational, calculating being, and to those parts of a society to which such a being might be relevant. Economics, then, is not relevant to entities such as universities, which are populated by more well-rounded people who are above this narrow, economic behavior, and are motivated by higher ideals.

Mises sums up the historical school's version of historicism:

It was a fundamental mistake of the Historical School of *Wirtschaftliche Staatswissenschaften* in Germany and of Institutionalism in America to interpret economics as the characterization of the behavior of an ideal type, the *homo oeconomicus*. According to this doctrine traditional or orthodox economics does not deal with the behavior of man as he really is and acts, but with a fictitious or hypothetical image. It pictures a being driven exclusively by 'economic' motives, i.e., solely by the intention of making the greatest possible material or monetary profit (1966, p. 62).

Mises insisted that it is a mistake to try to draw a sharp distinction between the sphere of "the economy" and the rest of social phenomena, or between

rational action aimed at material goals and irrational action aimed at ideal goals. For Mises all purposeful action is rational.¹⁰ All human action embodies the basic principles of choice, scarcity, supply and demand, and so forth. There is no difference in kind between a business person trying to satisfy her customers and, say, a university professor trying to supply educational services to his students.

As Mises wrote:

It is usual to call an action irrational if it aims, at the expense of material and tangible advantages, at the attainment of 'ideal' or 'higher' satisfactions. In this sense people say, for instance—sometimes with approval, sometimes with disapproval—that a man who sacrifices life, health, or wealth to the attainment of 'higher' goods—like fidelity to his religious, philosophical, and political convictions or the freedom and flowering of his nation—is motivated by irrational considerations. However, the striving after these higher ends is neither more nor less rational or irrational than that after other human ends (1966, p. 19).

The market sphere cannot be understood as a realm separate from the rest of a social system, but has to be understood as an integral part of it, permeating universities as well as governments. The pursuit of higher virtues, such as the scholar's search for truth, is a fundamental part of social life, which market institutions neither guarantee, nor prevent.

Acting man is always concerned both with 'material' and 'ideal' things. He chooses between various alternatives, no matter whether they are to be classified as material or ideal....

[W]e must not overlook the fact that in reality no food is valued solely for its nutritive power and no garment or house solely for the protection it affords against cold weather and rain. It cannot be denied that the demand for goods is widely influenced by metaphysical, religious, and ethical considerations, by aesthetic value judgments, by customs, habits, prejudices, tradition, changing fashions, and many other things (1966, p. 233).

The distinction that *can* be made is between those economic choices to which money calculation applies, and those to which it doesn't. This distinction cuts across all kinds of institutions. Within businesses some choices are made which money prices do *not* help to measure; within families some choices are made which money *does* help to measure. Within universities there are budgets and there are also qualitative judgments about scholarly virtues to which no price can be attached. As Mises put it in the quote that leads off this section, a virtue, such as a belief in scholarly openness, plays a role in action both as means and as ends, but does not enter into economic calculation. At the same time, the fact that it lies outside the orbit of calculation does not at all prevent actors who value it from taking it fully into account. "Those things which do not enter into the items of accountancy and calculation are either ends or goods of the first order" (1966, p. 215), that is consumption goods, whose subjective value can be directly assessed.

From a Misesian point of view it would be nonsensical for universities to aspire to institutional detachment from the "market sphere." Universities are thoroughly ensconced in market relationships. Like all other institutions in modern societies, they benefit enormously from the information contained in prices, but at the same time they regularly make choices over goals to which no price is attached. What may protect the scholar from the temptations of money or power cannot be institutional isolation from the world, but moral adherence to professional standards.

Even though the belief, that the path toward scholarly objectivity lies in a monastic separation from the mundane world of commodities, is a self-delusion, it has undoubtedly had harmful effects. It drives a wedge between the scholar's image of her professional ideals and the larger society of which she is a part. When the honest search for truth is essentially defined in terms of insulation from the everyday world, it is hardly surprising that scholarship is increasingly uninterested in addressing everyday problems. While the university is in fact thoroughly embedded in the world, its self-understanding as being in its own world leads to an irresponsible attitude, according to which the usefulness of research to the rest of the world is not considered an important matter.

Moreover, the detachment ideal focuses attention exclusively on external temptations that might threaten the honest pursuit of truth, to the exclusion of internal ones. Today it may be argued that the most serious dangers to a scholar's objectivity come not from his being "bought off" by nonacademic influences, but from his selling his soul to narrowly defined, interdisciplinary standards about what counts as scholarly productivity. The chief threats to the quest for truth come from complacent attitudes about what constitutes scholarly contributions, where the application of mindless formulae about how to do research takes the place of a genuine search for knowledge.

The pursuit of truth, and of other virtues, does not take place in an institutional vacuum. Scholars do not live in a monastery or an ivory tower, though many seem to wish they could. They occupy a world filled with economic and political opportunities, and circumscribed by economic and political constraints. The legitimate aim behind the ideal of scholarly objectivity, to avoid temptations of money and power, and to pursue the truth in whatever direction it is found, is achieved by inculcating a set of moral principles about these virtues. The true scholar is protected from being "bought off" by the rich and powerful, not by being locked away from market and political realities, but simply by the fact that her values are such that the offer is not seen as tempting in the first place. Honor and professional self respect are more highly valued than the money or influence that is being offered.

III. OBJECTIVITY AS INTELLECTUAL DETACHMENT

Detachment or being liberated from tradition cannot be our first worry in our attitude towards the past in which we—who are ourselves historical beings—incessantly participate. Quite the contrary, the authentic attitude is that of looking at an inherited culture—in the literal sense of both inherited and culture, that is, as a development (a cultivation) of what we recognize as being the concrete link among us all. Obviously, what is handed down by our forebears is not appreciated when it is looked at in the objectivist spirit, that is, as the object of a scientific method, as if it were something fundamentally alien or completely foreign.

Temporal distance is not... a distance to be bridged or overcome. This was the naive prejudice of historicism. It believed it could reach the solid terrain of historical objectivity by striving to place itself within the vantage point of a past age and think with the concepts and representations particular to that epoch (Gadamer 1963/1987, pp. 114, 136).

If one doesn't try to attain protection from the temptations of money and power via the monastic option, one is really left with no other option but that of moral suasion. One needs to inculcate values that prevent the scholar from seeing the offers as tempting in the first place. In fact I think this is the position that Mises, following Max Weber, actually holds, but the label they and many scholars of their day attached to this moral suasion option was paradoxically "value freedom." It describes itself as a position of intellectual detachment, a position that avoids the temptations by detaching the scholar from all moral points of view. The idea that economic (and other) science protects its objectivity by attaining a kind of detachment which refuses to endorse any ethical point of view has been an unquestioned article of faith in the Austrian school. But within the scholarly literature of which Weber was a part, the so called *verstehen* (understanding) tradition, this way of expressing the aims of science has come under serious challenge. Indeed there are analogies between these challenges to intellectual detachment and the challenges a Misesian position raises against institutional detachment.

A. Can Scholars Attain a Value-free Point of View? Should They Try?

Value-freedom is unobjectionable if all that is meant by it is that, for example, one should refrain from using the classroom as a pulpit, that one respect the differing views of students and fellow scholars, and concentrate on the discovery and clarification of truths, rather than the propagation of opinions. But the phrase suggests something more. It suggests that one can and should suppress or forget one's own values when one takes on the role of the scholar, that in some sense one should deny that one sees the work from a definite moral perspective.

Max Weber pointed out that "All knowledge of cultural reality... is always knowledge from *particular points of view*" (1904/1977, p. 31). His notion of

value-freedom in the cultural sciences was a moral exhortation to scholars to take care in how they worked with what was invariably value-laden, perspectival knowledge. As such, he did not seem to be adhering to the strict ideal of intellectual detachment.¹¹ He certainly did not pretend to reach some kind of perspectiveless perspective, an objective, Archimedean point from which reality can be seen "as it is in itself," as philosophers like to say. He admitted that the perspective from which the social scientist *ought* to see cultural reality, is itself a particular moral standpoint, which in principle demands an ethical defense.

But the *verstehen* tradition seemed to be conceding this kind of amoral status to the natural sciences. The physical sciences need take no moral position but simply describe, in a neutral way, the laws governing the natural world. The Weberian view of value-freedom held that while the natural sciences are able to provide objective explanations of phenomena, the human sciences are obliged to come to terms with intentionality, to comprehend human purposes. The model for understanding human purposes with which Weber was working is called empathy, and is generally associated with the work of Wilhelm Dilthey.¹² Empathy can be described as the idea of, in some sense, "getting into the head" of the individual person one is trying to understand in order to grasp his or her purposes. Moreover, the *verstehen* tradition (though not Weber himself) sometimes seemed to be willing to abandon the goal of providing causal explanations at all, as was suggested in Dilthey's notorious phrase that the natural sciences explain, but the human sciences understand.¹³ For some proponents of the *verstehen* tradition, objective explanations of what actually caused what are only available to the physical sciences, and the historian can only provide interpretive narratives from distinct, value-laden perspectives. Thus the human or historical sciences seemed to be put into a second-class status relative to the natural sciences in regard to the all-important value of scholarly objectivity.

Mises was significantly influenced by Weber's notion of value-freedom, and by the *verstehen* tradition's notion of understanding, but he did not think they did justice to the status of economic theory. He considered the logic of the general theory of human action to be no less "objective" than that of geometry or the natural sciences, and he was certain that economics was as capable of explanation as it was of understanding. He was willing to agree with Weber's and Dilthey's account of historical knowledge, and saw historical research as objective in only the limited sense, that it obeyed rules of scholarship, and was not a matter of personal opinion. Historical knowledge was objective in a non-detached sense.

But Mises insisted that the *theoretical* knowledge achieved by the science of human action was similar in this regard to the knowledge achieved by the natural sciences. It was not tainted, as historical understanding necessarily was, by the moral perspective of the historically situated observer. It took no point

of view of its own, but neutrally analyzed the implications of the subjective points of view that prevailed in the social circumstances under study. In fact, he saw this as the very principle upon which the objectivity of the science of human action was based:

In this sense we speak of the subjectivism of the general science of human action. It takes the ultimate ends chosen by acting man as data, it is entirely neutral with regard to them, and it refrains from passing any value judgments. The only standard which it applies is whether or not the means chosen are fit for the attainment of the ends aimed at....[I]t is in this subjectivism that the objectivity of our science lies. Because it is subjectivistic and takes the value judgements of acting man as ultimate data not open to any further critical examination, it is itself above all strife of parties and factions... (1966, pp. 21-22).

In other words subjectivism, the position of taking as one's point of departure the perspectives of consumers, rather than that of the scientific observer, is itself the observer's guarantee of objectivity. The economist detaches his or her personal preferences from the research, and asks only whether the preferences of the consumers are being met.

But again there is something wrong with this picture. The fact that subjectivists decline to debate with the subjects about their preferences only pushes the question of values back one level. The reluctance to debate over preferences is surely understandable, given the purposes of economic theory, and indeed reflects adherence to a definite scholarly value, that one not make pronouncements on matters outside of one's expertise. There is still the issue of why this and other moral values are operative. It may be granted that it has been an advantageous strategy for economics to avoid debating the issue of what consumers value, and concentrate on the logical implications of their valuations, and that this has helped economists to focus on the issues about which they have special competence. But it does not necessarily follow that this stance of taking the consumers' evaluations as given is itself an objective, value-free point of view. Is it not, on the contrary a specific and value-laden stance in itself? Is it not in fact open to moral argument about whether this is the proper attitude of the economist?

And in fact this stance *has* been disputed, for example by the Marxian economist Maurice Dobb during the socialist calculation debate.¹⁴ From his point of view it was not so obvious that respecting consumers' evaluations, which he thought were systematically distorted by the exploitative and alienating institutions of capitalism, constituted taking a position of detached objectivity. He asks why subjectivist economists privilege the perspectives of the consumers, as they happen to exist under capitalistic conditions.

Now I happen to agree that the standpoint which prefers to ask what the consumers themselves want, rather than what the economist might think they ought to have, is a superior moral standpoint. But it is a moral standpoint. To answer Dobb involves one in a moral argument about why respecting the

voluntarily choices of consumers under capitalism is a good way to conduct oneself as a scholar. It demands that we expose a dubious moral paternalism on Dobb's part, which cannot stand up to counter-argument. But I don't think one disposes of his challenge by claiming that the subjectivist position puts one "above all strife of parties and factions."

Subjectivism is not so much the renunciation of the scholar's own perspective in favor of those of the consumers, as it is the endorsement of that moral perspective which regards those of consumers as of primary importance. The subjectivist too sees the phenomena of markets from her own particular theoretical, historical, and moral perspective, and deliberately chooses to respect the (perhaps very different) points of view of the consumers. This constitutes a moral position that can stand up well to its rivals, but to do so it needs to admit that it is in fact a moral position.

The scholar is necessarily caught up in social strife, and cannot avoid it, either by hiding in a temptation-free monastery, or by claiming to stand apart from all moral controversy. On the contrary, what scholars need is precisely moral principles to defend their "objectivity."

B. Gadamer's Answer to Historicism

The stance of value-freedom, and its implied intellectual detachment, was deployed by the Austrians to fend off the danger of historicism, to make sure that the potency of the theory of human action was appreciated, and that economic theory was considered to be as solid as physics. Mises granted that while the historian must necessarily work from a particular, value-laden point of view, this does not imply that history is arbitrary. Yet he wanted to secure what he thought was a more profound kind of objectivity for the social theorist, a kind he believed was achieved by the natural sciences. It was generally conceded in his day that mathematics and the natural sciences really could achieve a morally detached objectivity, and he properly saw no less a degree of objectivity in, say, the law of supply and demand than could be claimed for the law of gravity. So he sought an intellectual detachment for economic theory that set it apart from the moral situatedness that necessarily accompanies historiography.

But perhaps this approach is getting things backward. Maybe what was wrong with historicism was not that it made the social sciences insufficiently detached, compared with the natural sciences, but that it was striving to attain an ideal of detachment which is impossible for either the social or natural sciences. In historicism's case the separation is sought not so much through a celebration of detached theorizing as through a theory-denying *immersion* in the historical detail, but the effect is the same: avoiding the direct engagement of theory with history. Just as Mises sought to detach theory from the value-embeddedness of history, so historicism sought to detach history from the

value-embeddedness of theoretical presuppositions. Either strives for a separation of the scholar's own intellectual presuppositions, which may come from his historical situation or from his theoretical lenses, from research.

The challenge that has dealt historicism its most devastating blow is the one that was issued in 1960 by Gadamer in his magnum opus, *Wahrheit und Methode*. Gadamer's approach manages both to undermine the aspiration of objective detachment as something to be valued, and to substitute a different notion of objectivity, that of openness, which can better serve as a standard of scholarly virtue.¹⁵ His critique shows that the problem with historicism is not that it leaves no room for the would-be theorist to gain a foothold for detached theorizing, but that it aspires to an illusory detachment. As Joel Weinsheimer, one of the translators of *Truth and Method*, put it, historicism can be described as "the endeavor to keep ourselves out of the past, or to separate the past from the present so as to understand it objectively, as it once was" (1985, p. 132).

Too often critics of the antitheoretical implications of historicism have tried to secure for our theories the kind of objectivity that historicism was claiming is the virtue of pure, theoretically unmediated, historical narrative. In effect such critics concede too much to the historicists. Historicists said of their own histories that they were pure narratives, untainted by the biases of theories. They took as an ideal the historian who immerses himself in the details of the historical moment of the past, and brings nothing of the systematic social sciences in there with him. To answer them we must not justify theory by claiming it lies in another, purer world, untainted by historical contexts, so that when it gets used it won't in turn contaminate the narratives. On the contrary, theory is to be restored to its place of distinction by denying the value of the historicists' notion of purity, and by recognizing and honoring the embeddedness of our theories in the historical process.

The proper standpoint of the social scientist is neither to aspire to stand utterly apart from the world she studies, nor to aspire to lose herself in it. Neither aloofness nor immersion makes sense of what really happens when we understand. And both share the goal of self-denial, of avoiding a genuine engagement by the scholar with the subjects under study.

When Mises was working out his general theory of human action the best available work on the nature of historical understanding was that of Dilthey. His empathic model came hazardously close to a position of psychologism, in which the point of understanding seems to be a matter of reading the mind of another, and even intimately experiencing his feelings. Of course if understanding requires this, it will be deemed a task lying outside the capabilities of the social scientist.

One can identify two significant steps by which the *verstehen* tradition advanced from the position held by Weber and Dilthey. The first step, taken by the founder of phenomenology, Edmund Husserl, was the move from a

psychologistic notion of empathy, whereby the observer metaphorically enters into the individual mind of the agent under study, to a participatory notion, whereby the observer enters into the social group of the agents.¹⁶ And then in the second step, on the strength of Gadamer's work, this participatory idea is replaced with a notion of understanding as translation, or mediation between the observer's and the subject's perspectives. These transformations of the theory of understanding have important implications for the issue of value-freedom and the ideal of objectivity.

Husserl exposed the questionableness of the sciences' claims to detachment. His path-breaking development of phenomenology showed that all scientific observation, even the most simple kinds of perception, gain their validity only through acknowledging the specific perspective from which they are seen. There is a value-laden *life-world* behind even the natural sciences.¹⁷ Phenomenology began to make it possible to accept that knowledge is relative to the perspective of the observer, but is nonetheless valid knowledge.

Moreover, with Husserl the process of understanding is no longer seen in a psychologistic sense. It is not depicted as a matter of entering into the private thoughts of the agent being studied, and is not some sort of mysterious sharing of mental energies, but takes place out in the open space of discourse in the life-world. What is at issue in an attempt to read the meaning of any human expression is not a mind-reading but an inquiry into the subject matter of the discourse. The question is not what an author or speaker or actor was thinking but what was written or said or done. As Gadamer put this point:

When we understand a text we do not put ourselves in the place of the other, and it is not a matter of penetrating the spiritual activities of the author; it is simply a question of grasping the meaning, significance, and aim of what is transmitted to us (1987, p. 127).

That is, the question here is not one of getting into somebody's head, is not immersion into an individual mind, but is one of coming to terms with *die Sache*, the subject matter at issue. This is not, as some contributors to the *verstehen* tradition may suggest, a preoccupation with interpretations of reality, to the exclusion of concern for reality itself. Georgia Warnke describes Gadamer's point:

The different historical vantage points from which texts and text-analogues are viewed reveal different aspects of them; every generation of interpreters participates in different dialogues and arrive at new mediations with their objects. Still, it is crucial for Gadamer's view that these dialogues remain dialogues over *die Sache* and that the different dimensions revealed are facets of it. The important point... is not only that inquiry is always oriented by our concerns; although Gadamer makes this point, his argument is also that inquiry is always inquiry into a subject-matter and that the consensus reached about this subject-matter can reveal something 'true' about it (1987, p. 146).

With Husserlian philosophy, however, while science's claim to detachment is undermined, there is not yet the basis for a challenge to historicism. Ironically the detached standpoint phenomenology denied to science was reappropriated for the philosophy itself. It attempts to play the role of the uninvolved spectator, and to secure its own objectivity by detachment from the perspectival horizon of the scientists it describes.¹⁸

Dilthey's empathic understanding leaves us wondering what happens to the social scientists' own perspective when she "enters" the mind of the subject. Husserlian participation leaves us wondering what happens to the observer's own perspective when he participates in the life-world of the subjects he studies. What these models of understanding tend to neglect is the value of what the social scientist who attempts to understand leaves behind when understanding is treated as immersion into the mind or life-world of the subjects. What is left behind is the historical and theoretical knowledge we in the present have and are able to use to understand the past. As Gadamer said, historicism's error was that it thought one could achieve an objective understanding of an historical period by trying to "think with the concepts and representations particular to that epoch."

What has been missing in the efforts to secure a position of objective detachment is a clear recognition of the *productivity* of what historicism considered a contamination, the connection between the present scholar and the past historical agents under study. Historicism aspires to keep the theoretical and factual advantages of the present from polluting the otherwise clean study of the historical events. Gadamer turns this around by seeing the contribution of the observer's theories, as well as the specific knowledge of events that have unfolded since, as being the very source of our ability to understand at all.

When an anthropologist enters into a culture he does himself no good to pretend he has become a native, as if he were to suppress all the theoretical knowledge the discipline of anthropology has developed about culture. When a sociologist, fully equipped with the theories that she has gleaned from Durkheim and Weber, studies a family, she deludes herself if she thinks she becomes a member of it, and somehow stops being a well-trained sociologist. And an economist who examines a market likewise misleads himself if he thinks he attains objectivity by suppressing his own perspective, and claiming to be detached from the historical process.

Understanding for Gadamer is a process of open dialogue, modeled on a good conversation among participants who respect one another. The observer engages in a conversation with the texts being studied, whether literally if possible, as in ethnography, or metaphorically if necessary, as in exegesis or archival history. True understanding involves attaining an openness, by which the claims of the subject are given voice. The scholar tries to make sure the subject is allowed to "speak" and is truly listened to. This requires a patience

where what might at first appear absurd is given a chance to elaborate itself in its own terms. At the same time openness does not mean a subservience to the claims of the subject, such that whatever is said is meekly accepted, and taken at face value. Indeed this "Whatever you say" attitude would show as much of a lack of respect as a refusal to listen. To engage in a real dialogue with subjects is to give them the benefit of the doubt, and try to hear what they are saying, yet it is also to *engage* with them over the subject matter, such that when a claim appears not to make sense it is questioned. This engagement is not only a way to challenge what is being said, but also to challenge ones' own presuppositions:

In fact our own prejudice is properly brought into play by being put at risk. Only by being given full play is it able to experience the other's claim to truth and make it possible for him to have full play himself (Gadamer 1989, p. 299).

Weinsheimer clarifies Gadamer's view of the openness with which we should read a "text" in this way:

We hold our own opinions open to disconfirmation and place them at risk not because we are neutral but, quite the opposite, because we too are interested....

For just this reason, our openness does not mean that we present ourselves as a blank slate ready to be inscribed. Because we are concerned and interested, our receptivity implies that we are willing to integrate the meaning of the text with our previous preconceptions by making them conscious, bringing them into view, and assimilating them to what the text reveals. Only if we are not disinterested can we take—and the text give—offense, so that our prejudices emerge into the open, and we thereby become able to understand the things themselves (1985, p. 167).

Scholarly objectivity consists precisely in learning to achieve this dialogical openness in a serious effort to understand a subject matter. In many ways I think this notion of openness represents only a clarification of what many scholars have meant when they spoke of value-freedom. But the misleading aspects of objectivity as intellectual detachment may have had significant negative consequences on higher education. The main problems in academia today seem to involve the sense most disciplines have of separation from the world and from one another. If objectivity is understood as involving open engagement with other perspectives, rather than some kind of distancing from them, scholarly traditions may find themselves better integrated with one another and with the outside world. For while value-freedom suggests that to be a scholar requires one *suppress* ones' own point of view, openness makes it clear that what we are really doing is *risking* our point of view against those of others. Our perspective is never eliminated, as if it were a contaminant, but neither is it permitted to dominate the scene, as if it were already known to be valid.

The upshot of this perspective on understanding is that the scholar needs to be given freedom to pursue the question where it leads. By the dynamic of open dialogue, the researcher is led by *die Sache*, by the subject matter that is the topic of the dialogue, to a discovery of truth.

IV. CONSUMER SOVEREIGNTY AND THE RELATIVE AUTONOMY OF THE ENTREPRENEUR

Precisely that vision in which Menger saw how the economic system transmits consumer judgements of economic significance to the arrays of goods of higher order is, we wish to suggest from the perspective of modern subjectivism, flawed in failing to recognize the entrepreneurial steps—taken imaginatively, daringly and spontaneously, in the face of the impenetrable fog of the uncertain future—through which these judgements must necessarily be transmitted. These entrepreneurial steps represent the imagination and vision of the entrepreneurs peering into the unknown. Any claim to the effect that consumers' preferences dictate the allocation of resources can have validity only to the extent that these preferences are sensed and transmitted by market entrepreneurs (Kirzner 1992, p. 76).

The conclusion I draw from Mises' answer to historicism is that scholars should view themselves as fundamentally connected to, and not detached from the institutions they serve. They should see themselves as producers within the research industry, catering to the demands of their customers, and they should submit their work to the market test.

But the conclusion I draw from Gadamer's answer to historicism seems to move in the opposite direction. Gadamer argues that scholars must follow their *own* sense of where the truth leads them. Consumers, whether they be considered the students, or the outside funders, or the citizenry, who expect good things to flow from research, may not in general know what questions most urgently need to be addressed at the current state of knowledge. Bowing to consumer demand would seem to represent a relinquishment of the scholar's professional responsibility to discover what most needs to be discovered. Scholars must not view themselves as value-free, in the sense of being detached from moral considerations, but instead must recognize the moral virtues scholarship itself demands from them. They must follow the logic of the questions they ask, they must let *die Sache*, the subject matter itself, be their guide. Far from asking them to defer to consumers' dictates, this point of view would seem to encourage scholars to follow their own sense of what the honest search for truth tells them to do.

Can the principle of "consumer sovereignty," understood as implying that consumers unilaterally dictate to producers what needs to be produced, serve as the basis of the scholarly ideal? If the scholar, following Mises' argument, abandons the hope of complete autonomy from the "outside" world, must she then be reduced to passively responding to the dictates of the customers?

So who is in charge here? Is it the consumers or the producers?

A. Are Consumers Unilaterally Sovereign Over Producers?
Should They Be?

Let us first ask this question not of the specific context of scholarly production, but more generally. In the market, who is really in charge?

Maybe the proper answer is "Nobody." The market can be viewed as a spontaneous order, a process of dialogical interplay among consumers and producers, in which no one is really dictating the outcome, which emerges from the give and take of the participants.

Perhaps the contradiction between the Misesian and Gadamerian views is only apparent. The language of "consumer sovereignty" may be somewhat misleading, especially in light of the mechanistic understanding many have of the workings of the economy. Neoclassical economics tends to interpret the sovereignty of consumers as if it implied that producers do nothing but respond obediently to pre-existing customers' commands. But in Austrian economics, and especially in the form in which it has been developed by Kirzner, things are not so simple. The modern Austrians, most notably Mises and Kirzner, endorse consumer sovereignty but also stress the active and even decisive role of the entrepreneur.

As Mises (1966, p. 328) put it, "The driving force of the market process is provided neither by the consumers nor by the owners of the means of production...but by the promoting and speculating entrepreneurs." Or in another passage:

The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer the ship (1966, p. 269).

And yet Mises immediately takes back this assertion of the entrepreneur's power when he adds that the entrepreneurs "are bound to obey unconditionally the captain's orders" and that the captain of the ship is the consumer (1966, pp. 269-270). One can find many powerful statements of the principle of consumer sovereignty in the Austrian literature from Carl Menger on, and these statements declare consumers to be "in charge" of the direction of the economy. Menger's founding vision which launched the school was that of an economy which was completely shaped according to the demands of consumers. He showed that "higher order" or production goods are only valued according to their perceived ability to contribute to the production of lower order consumption goods, and thereby helped to liberate economics from an excessively physical view of production. Kirzner (1992, pp. 71, 73) sums up this vision:

For Menger the entire economic system is seen as a complex of activities directly or indirectly inspired by the goal of satisfying consumer needs. Every single item or service bought and sold in the market is valued only in so far as it can, in the purchaser's judgment, contribute valuably, directly or indirectly, towards the satisfaction of consumer needs.

...This perspective transmutes all the phenomena of the economy from being simply physical transformations, relationships or ratios into direct or indirect expressions of human valuations, preferences, expectations and dreams.

This way of seeing all productive activity as *meaningfully* connected to consumer satisfaction constitutes the Austrians' most fundamental principle, which they call subjectivism. In short, the idea that consumers are in some sense sovereign is not only a commonly held belief of the school, it is among the school's core beliefs. It may appear, then, that for Mises and Kirzner entrepreneurs are completely subservient to their captains, the customers.

It seems to me, however, that this "captain of the ship" metaphor is misleading in at least three respects. First of all, even from within Mises' own perspective, we need to remember that Austrian economists use concepts such as "consumer" in a special analytic sense. We are all to some degree the captains of this ship. As Mises points out:

When economics employs the...terms it speaks of catallactic categories. The entrepreneurs, capitalists, landowners, workers, and consumers of economic theory are not living men as one meets them in the reality of life and history. They are the embodiment of distinct functions in the market operations....Moreover the functions...are very often combined in the same persons (1966, pp. 251-252).

The catallactic concept of consumer is whoever expends resources on lower order goods for their own sake, and the producer is whoever attempts to satisfy such consumers through direct or indirect means in exchange for money. Thus if a producer, say a self-employed, ice cream man, chooses to forgo possible profit he might have earned catering to a customer by indulging himself in a few scoops, he thereby to that extent becomes the consumer. The case is no different if instead of eating some of the product, he works longer at the job, not in the expectation of earning extra money but because he wants to remain his own boss. Or if a banker chooses to make a loan to this business, not because she thinks it stands much chance of making her any return on the investment, but because she would like to give the ice cream man a break, then she becomes the consumer. Thus to say consumers are sovereign is not to say everyday folks we think of as customers are exclusively in charge. Whoever is willing to expend their resources to support activities are the consumers of those activities.

Secondly, in light of the way Mises' theory has been elaborated by Kirzner, there are the issues of alertness and futurity. Unless somebody exhibits alertness about what consumers are likely to find attractive, they cannot exercise their

sovereign powers. And the embeddedness of production in time means that often the people who are really important are future consumers, who may not even have been born yet. Investors in a sense are standing in for *future* consumers, who may or may not ever materialize. In effect, they too enjoy some degree of sovereignty, in that they can experiment with their capital in the directions they believe in. Enormous sums of money are spent on projects consumers never buy, so that a healthy proportion of the economy sails in directions the so-called captain never identified. Entrepreneurs stand in the middle of all this, trying to anticipate consumer desires, and trying to convince investors about where the best opportunities will be found.

And thirdly, there is the issue of the creativity of entrepreneurship. The future is not an already fixed thing that is simply anticipated, it is subject to being shaped by the persuasive efforts of human actors. The entrepreneur does not only find what is already there, or what is, regardless of her own actions, going to be there in the future, she deploys her creative imagination to bring into reality what would otherwise not be there at all. And indeed, Kirzner would have us think of the discovery of existing opportunities as itself, in an important sense, creative. A resource that lies idle because nobody has yet thought of its possible uses is, for all practical purposes, as nonexistent as the new product or technology that has not yet been invented. As Kirzner eloquently says:

The inspired hunch which leads the discoverer to notice islands where others only see clouds, to notice opportunities for innovative products or innovative applications of technology which others fail to see, is as creative, in its own context, as the inspired vision of the sculptor who sees, in marble and chisel, not merely marble and chisel but a sublime form awaiting to be brought forth (1992, p. 222).

Kirzner's elaboration of the role of the entrepreneur helps to restore the role to its proper place in the market process. Not that Kirzner is any less adamant than other Austrian economists that the *ultimate* power in a free market is in the consumer's hands, but it might be better described as a kind of veto power, exercised after the fact, rather than that of a captain giving orders to the helmsman. By disclosing the creative aspects of entrepreneurship he has clarified the fact that there is considerable room in the market for the entrepreneur to deploy her own imagination about what might be of interest to consumers, and to experiment with new products and production methods to see what might work.

If production, scholarly or otherwise, needs to remain ultimately in the service of the preferences of consumers, it need not be seen as utterly and passively subservient to them. Economic production is not a matter of consumers handing over a list of their desires to producers, who then dutifully follow orders. What consumers demand from producers is in large part their creative judgment, whereby they are expected to figure out what consumers

would find desirable, were it to be offered them. The producer who merely responds passively to the consumers' requests tends to lose in competition to those who creatively inquire into what might really serve the consumer better than anything he can now imagine.

What the consumer really wants from producers, and is willing to pay for, is not some kind of amoral, detached obedience, but rather their engagement, their moral commitment, their impassioned involvement, their personal dedication, to providing what will turn out to be satisfying. The economists' imagery of *homo oeconomicus* is responsible for a completely false idea of what it means to maximize profit. It is as if the producer needs to choose between what she knows is the right way to do things, and what the consumer tells her she must do to make money. This dichotomy is by no means the general situation. Money can be made, and is very often made, from honestly doing the job by the highest professional standards. The pursuit of profit is not something that takes place in a moral vacuum, any more than the pursuit of truth is something that takes place in a market vacuum.

Advocates of markets have not yet done justice to the full moral context of economic production. While it is often admitted that the morality of voluntariness, nonaggression, and the respect for property, are prerequisites for a working market, we also need to recognize that, under circumstances where there are relatively strong beliefs in the value of critical reasoning, markets can themselves enforce an adherence to professional norms of quality. Entrepreneurs in such circumstances don't succeed by "simply maximizing profits," in the sense of passively responding to consumer demand. They can "do well by doing good," they can succeed by actively applying professional standards to production processes, and being rewarded for doing so.

Where the prevailing culture sees the professional standards as legitimate, the primary profits to be made in that profession are made by conforming to those standards. The point is not that consumers of professional services will necessarily demand only the highest quality products, as judged by the state-of-the-art of knowledge in that field.¹⁹ The point is that in many circumstances consumers actively seek out those who can show a professional stamp of certification, that is, they want to buy from those who meet the professionals' own standards of quality. In these situations consumers are not prepared to develop their own standards for quality, but in fact see the definition and enforcement of appropriate standards as one of the central services they are paying for.

The rationale of established professions with elaborate professional certification standards is to try to certify for consumers who in that field knows what he is talking about. Of course we know that professional certification is also abused, and deployed simply to limit competition. Of course we know that even when certification represents real quality standards, some consumers will ignore the professionals' judgments and seek services from the uncertified.

But the *primary* demand for services in markets with elaborate certification requirements stems from a belief that some genuine quality standards are involved in those services. Any *secondary* demand, which consists in trying to get the stamp of certification without the rigor of the certifying process, has to be understood as parasitic on the primary demand for certification, and is premised on a widespread belief in the legitimacy of that process.

Take for example a patient going into the doctor's office with a discomfort. He may demand of the doctor "Remove my pain" to which she could merely respond by doing what she is told, and offering pain killers. She is more likely to genuinely serve him, however, if she deploys her own specialized knowledge to determine how to best solve the problem. There are cases, to be sure, where doctors don't listen to patients at all, and try to play the role of detached health experts who will unilaterally tell their customers what is good for them. That is one way in which consumer sovereignty can be violated. But is it not also a violation when the producer reneges on her professional responsibility to inform the consumer what she thinks is the best course of action? Does not the attitude of "Whatever you want" show as much disrespect for the consumer as the attitude of "Whatever I think is good for you?" In both cases the producer is failing to truly engage with the consumer.

Now there will be occasions where the consumer does not want to hear the painful truth. If the standards of critical thinking in a society are not high, then doctors will prosper by ignoring their own professional judgments, and telling patients what they want to hear, even when it is not good for them. But if critical standards sink beyond a certain point, the whole rationale for the professional certification process would dissolve, and patients would do better to get the easy answers from their friends for free, rather than from expensively certified doctors. Where the professional standards still hold some validity, the relationship between the consumer and the producer is one where the consumer demands that the producer exercise her own professional judgment about quality, and not merely give the answers that are soothing.

In other words the relationship between consumer and producer ought to be understood as a dialogical one. The producer is obliged to listen to what the consumer is asking for, and this listening requires not simply mindlessly handing over exactly what is requested, but thinking creatively about what would be most satisfying, were it available. The focus of the metaphorical conversation between the producer and consumer is not on the psychology of what is in the consumer's head, but on *die Sache*, the subject matter. What is sought is the kind of satisfaction that entrepreneurial judgment concludes would both work for the consumer, and be workable and consistent with quality standards, for the producer.

The entrepreneur is not entirely free to do whatever pleases him, nor is he a mere puppet of consumers. He enjoys what might be called a relative autonomy, such that he is free to experiment on his own initiative, yet

constrained by the need to ultimately find buyers and investors. This autonomy strives to secure a certain distance for the entrepreneur from both the government and the consumer, but it does not seek insulation. It asks for relevance from production for both politics and the market, but does not demand direct or immediate relevance. Both politics and the market will be better served if such relative autonomy for entrepreneurship is preserved.

B. Entrepreneurship in the Research Industry

How then, might one apply this concept of consumer sovereignty, understood now to involve the relatively autonomous entrepreneur, to the domain of higher education? What would unfettered market forces, in a culture such as ours, which is reasonably inclined to support scholarship, lead to?

First we need to be clear about who the consumers are. In light of the fact that the word consumer means the catallactic category, the consumers of higher education are not only the students and their parents who pay tuition, but equally the corporations and foundations which offer research grants, the alumni who make bequests, and even the faculty and administrators who expend their own monetary and other resources in order to see their colleges flourish. In their capacity as producers, those who work at universities are there to pull down a salary. But as in many industries where there is a high level of professional dedication, they are also pitching in for the cause, working extra hours for the love of the goals, and not for an extra salary. To that extent they are among the consumers, and as such are among those whose choices are sovereign.

We also need to be clear about what the product of this industry is. Conservative critics of higher education such as Martin Anderson have been saying the product should not be taken to be research, but ought to be seen as teaching what is already known. It seems to me this represents a profound misunderstanding of the nature of this market.²⁰ There are surely cheaper ways to transmit bits of already-known knowledge than this, for example making a few trips to a good library, or navigating the internet. The reason for personal contact between students and scholars is that something else is imparted at a college that cannot be easily gotten in any other way. Students can experience first-hand what the critical process and the discovery of new knowledge are like. The main teaching services students in universities are able to get, which they could not get as well on their own or on the job, are those which come from participation in research. Fundamentally, even when they are teaching students, universities are in the research business.

What counts as research? The critics are all too eager to reject quality research merely for being "abstract" or "impractical," but society depends on, and has been willing to pay for, the advances in abstract knowledge which are being developed in scholarly research. The deepening of theoretical

understanding, which scholarship excels at when it is at its best, yields enormous *practical* benefits. But even this argument falls short, for after all, what is practical? Consumers express a real demand for beautiful mathematics or music, and not only for the solution to what we might think of as practical problems.

This is not to say, however, that anything goes. Scholars need to ask themselves whether they are fulfilling their moral obligations to advance the truth of their subject matter. While there is room for a great deal of discretion by scholars about what questions are worth asking, they should also keep in mind that they are "public servants." This phrase is cheapened when it is taken to mean merely employees of government, but what I am trying to say applies equally to private and public universities. Scholars who help us to advance the truth are acting in service of society.

Let's admit that there is much research that now goes on in institutions of higher learning which amounts to nothing but intellectual gamesmanship, with no prospect of serving anybody outside of academia in any manner.²¹ And let us also admit that not all of this is attributable to coercive interference into competitive market forces. But there is no way to know in general whether what I find boring and pointless is what you find interesting and provocative. The best we can do is depend on the pressures of open criticism and market competition. Although lip service is regularly paid to the notion that scholarship needs to earn its keep by surviving the intellectual market test of criticism, the division of academia into disciplines tends to serve as a protectionistic policy. Criticisms are only allowed if they issue from within the paradigm of the discipline. Fundamental challenges are considered "foreign" and excluded.

With a different understanding of objectivity, as openness instead of as detachment, scholars might be more inclined to entertain fundamental objections to their research, and perhaps we could eliminate some of the waste that now exists. And with a more forthright acknowledgment that we are embedded in the market, and ultimately must serve our consumers, we might be trying harder not just to answer the questions we find interesting but to justify why these questions are worth asking.

Now does this mean that scholars in a free market research industry should view themselves as somehow directly in the employ of their paying customers from businesses and foundations? No, but precisely because that is not what the market for higher education demands. What the consumers of this product we call research want, by and large, is the independence of judgment which the values of open-minded scholarship generates. Organizations that want to invest in scholarly research are better served when the scholars they "hire" maintain a substantial degree of autonomy from them, and from other particular interests. The *primary* demand that supports the research industry is asking scholars to exercise their own professional judgments about what is

worth studying, *and also* to be accountable for their choices, to attempt to explain their judgments.

Now this is not entirely true of course, even aside from the issue of the existence of government interventions into the free market. First, there is error, that is, scholarly producers in an uncertain world will fail to serve consumers by mistake. Error is a pervasive feature of markets, as Kirzner has convincingly shown. In this particular market, where the discovery of new knowledge is the main goal, error can be very widespread indeed. It is difficult to know how to find a cure for urban poverty or for breast cancer, and one will have to expect many mistakes along the way.

Second, mistakes can take the form of responding to the wrong consumers, such that the primary consumer demand is left unmet. Although I am contending that the primary demand for higher education services is for the pursuit of truth, there is also a secondary demand. Some administrators, some faculty, and some students are always trying to get a free ride on the reputation of the institution. There are students who really only want a good grade in order to get credentials for a job, regardless of the truth about how little they have learned, and there are donors who really only want a research result that endorses their product as safe, regardless of the truth about its dangers.

But there are reasons to hope that both of these deficiencies of higher education from its ideals contain their own built-in limits. As Kirzner reminds us, errors in a competitive market will tend to get noticed. Colleges which gain a reputation for making more mistakes than their rivals, or for satisfying their parasitic secondary demands, will find their primary demands drying up.

So then it is possible to reconcile the view (from Mises) that scholars at universities are institutionally inseparable from the market, and thus need to understand their work as serving consumer demands, with the view (from Gadamer) that they are intellectually inseparable from their own moral and professional standards of scholarly production. What consumers in the market for higher education primarily want from the producers is precisely that they pursue the truth open-mindedly and in accordance with established professional standards of scholarship.

C. Conclusion: The Ideal of the University

The university ought to be a home for the kind of relatively autonomous scholar we have been discussing, scholars such as Mises and Gadamer, who courageously continued to pose the questions that they found worth asking, even when the main trends of their age went in the opposite direction. The university should be the place where the scholar can work who attempts to ask those questions which the "consumers" will find, at least after the fact, to have been worth asking. It should be the place where the virtues of scholarship can be cultivated, and where those who adhere to the exacting

moral and professional standards that scholarly objectivity in the sense of openness demands, will be welcome.

Moral suasion tends to work more by example rather than by preaching. The virtues of honest and open scholarship are learned by an apprenticeship whereby students observe the behavior of exemplary scholars and absorb the attitudes proper to the conduct of scholarly activity. It is by watching a true scholar at work, somebody like Kirzner, that one discovers what it really means to be "objective" in the best sense of the word. The ideal of the university is no more and no less than to provide a safe haven where men and women of such moral excellence can provide a beacon for the rest of us.

NOTES

1. A useful collection of essays by a variety of scholars responding to some of these attacks is Edmundson (1993).

2. This is a review by the catalogue's editor, Jim Powell (1994, p. 5) of another conservative book condemning academia entitled *The Fall of the Ivory Tower: Government Funding, Corruption, and the Bankrupting of American Higher Education* by George Roche.

3. Many professionals readily concede that other people's work is subject to consumer sovereignty, but that their own responds to a higher, professionally-derived standard.

4. *Statistical Abstract of the United States*, U.S. Department of Commerce, 1990, Table No. 208, "School Expenditures, by Type of Control and Level of Instruction, 1960 to 1989," p. 129.

5. Indeed Anderson (1992, pp. 38-39) goes so far as to say that "Virtually all the major universities and colleges in America are mini-socialist states in which the trustees, administrators, and faculty answer only to themselves."

6. The Carnegie Foundation said that academe is "healthy and expanding," in its study on the status of American higher education in its widely used "Carnegie Classification," as reported in Evangelauf (1994, p. 17).

7. Now it might be argued that our recent experience has been that government funding has in fact supported some rather bizarre research at our universities, about which the conservative critics get endless delight in expressing their moral indignation. But of course, this is only because government has not been particularly representative of the average opinion, and has been run by elite intellectuals much like those at universities. These same elite intellectuals like to think of themselves as favoring a more democratic and more representative political system. By having universities depend on taxes, they in fact put the conservatives on the side of popular democratic opinion. If taxpayers get informed and mobilized they will, by and large, find much of what goes on in higher education incomprehensible or pointless, if not evil. If college curricula were put to the vote, how many courses in, say, Marxist literary theory, or how many advanced courses in specialized fields of any kind, would survive? Indeed I would worry as much about issues that are not so esoteric. If political processes were to decide on academic content I would expect that we'd find creationist opinion overcoming evolutionary biologists in many state universities. While it is conceivable that this outcome could happen under a regime of free market consumer sovereignty as well, I think it would be much less likely.

8. Of course an argument can still be made against it on these grounds; it is perhaps too tough on the younger scholars and too easy on the older ones. But it does not constitute a privilege this industry enjoys over other industries.

9. Although I am not sure about Shackle, I do not accept this interpretation of Lachmann as a historicist. I find his work makes more sense when taken in the spirit of the Gadamerian challenge to historicism which I summarize in section III.

10. It is often objected to this view of rationality that it is tautologous, that since it explains everything it explains nothing. But as Kirzner (1992, p. 203) has pointed out, the Misesian theory of rationality is not in fact even *trying* to explain decision making, which it considers to be a task for psychology. Instead, "the function of the microeconomic theory of the decision is *precisely* that of providing the tautologous framework required for the subsequent theory of the market process."

11. This is not to say that Weber's notion of scholarly objectivity was identical with the view being advanced here. For example, he seemed to think that it was possible to separate judgments of significance from judgments of fact, and that the personal perspective of the scholar only needed to shape the former. This is the view that Gadamer criticized in Emilio Betti's work, and which more recently has been associated with E.D. Hirsch (1967).

12. In fact Weber was more directly under the influence of another member of the *verstehen* tradition, the neo-Kantian philosopher Heinrich Rickert, but for the purposes of this overview the differences are not important.

13. The standard accounts of Dilthey's point of view always make more of this catch phrase than a careful reading of Dilthey would justify. In fact he was a subtle thinker who in many ways saw beyond this kind of simplistic dichotomy. For our purposes here, though, it is useful to focus on the oversimplified version of the theory which circulated in the early twentieth century. For a more adequate interpretation of Dilthey, see Ermarth (1978).

14. In a dispute with market socialist Abba Lerner, Dobb (1933, p. 591) mocked the idea of the "sacredness of consumer preferences."

15. Gadamer's book *Truth and Method* is extraordinarily difficult, but fortunately a number of excellent works have been published which translate it into a more accessible language. Of particular help are the books I cite by Weinsheimer and Warnke. The paper by Madison (1991) relates Gadamer's work to the Austrian school. A useful overview of Gadamer's argument that also compares and contrasts it to the later Wittgenstein is Jürgen Habermas's review (1970). Although this was a very sympathetic treatment, at the end of the review Habermas raised a criticism which touched off an important debate, highly relevant to the themes of this paper, about the nature of scholarly objectivity.

16. There is circumstantial evidence to suggest that Mises was influenced by, and perhaps even enthusiastic about, the phenomenological movement. It is said that Husserl's work was a favorite topic at Mises' seminar in Vienna.

17. Independently from Husserl's work, the writings of Michael Polanyi (1958) have also demonstrated the extent to which adhering to the standards of science amounts to following a strict moral code.

18. This shows up in shortcomings of the interpretive social science work which took Husserl as its inspiration. Alfred Schütz's profound contribution to sociology attempts to wed Husserl's philosophy with the work of Max Weber, but never gives a satisfactory account of the nature of intersubjectivity. The scholar seems forced to toggle between a participatory study of the subjective level, that is, the "biographical situation" of the agent under examination, and an observational study of the objective level, that is, the "scientific situation" of the neutral observer. The social scientist is supposed to participate in the subjective life-world of the agent, and yet is supposed to take on a neutral, value-free standpoint. What remains unclear is the relationship between participation and observation. Schützian sociology seems to lapse into the very relativism which Husserl was striving to avoid. These criticisms of Schütz are elaborated by Dallmayr and McCarthy (1977).

19. Indeed the very issue of what the state-of-the-art of knowledge is within a profession will tend to be an issue that is always in contention to some extent.

20. I have elaborated why I think that research and education ought to be understood as interconnected in Lavoie (1994).

21. My own favorite candidate for such condemnation would be most of neoclassical economics.

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