The Beginning of Economic Wisdom

Michael Novak

SINCE THEY affect to work scientifically, economists usually insist that the vast majority of the propositions in their writings report what virtually all other economists would report; principles and facts rule, and virtually all concur on "the basics." Experience shows, however, that reading John Kenneth Galbraith and Milton Friedman are two qualitatively different experiences, both in regard to the principles involved and to the facts observed. Robert Heilbroner and Israel Kirzner, again, seem to live and move in utterly different economic universes.

Still, it must be granted that this particular affectation adds a certain civility to conversations among economists. They do not treat each other as badly, say, as analytic philosophers still treat continental phenomenologists or metaphysicians who lived before 1920. Furthermore, economists who strongly disagree seldom engage in direct confrontation; they rather tend to act as if proximity might end in mutual exasperation. Sometimes we non-economists positively burn to know just how Y would answer the arguments of X—especially those dramatic arguments that have the sound of aces slapping on the table.

This avoidance of direct confrontation forces the rest of us to line up the arguments as best we can and work out a philosophy of economics for ourselves. To my mind, sound economics is best characterized as one of the three interdependent institutions that constitute a free society. Furthermore, I incline to divide economic questions, like Caesar's Gaul, into three realms.

As for the first trinity, the three systems that constitute a free society are a free polity, a culture of liberty and a free economy. The aim of the first is to free humans from tyranny and torture; of the second, to enable humans to seek truth, beauty, justice and community by liberating them from their own ignorance and self-destructive appetites; and of the third, to enable humans to contend with scarcity and, by initiative and invention, slowly to free themselves from poverty. The dependence of the economy on the rule of law and good institutions of government is clear enough. So, perhaps, is its dependence on certain cultural and moral habits, especially those of work, initiative, social trust and honesty.

As to the second trinity, the three realms into which questions about economics tend to fall are these: (1) Perennial questions of all human economic life such as scarcity and constraints of other kinds,

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supply and demand, prices and risk; (2) questions involving comparisons between or among economic systems; and (3) questions regarding particular institutions within economic systems. The latter includes corporations, inventions and individual initiatives (within capitalism), national planning boards (within socialism), and laws and customs affecting land ownership and relations within and among families (within feudalism).

The very notion of economics as a discipline abstracted from politics is relatively new. Until, say, the 13th century, kingdoms were on the whole small and fragile polities. Cities were walled, and the wealthy (and titled) lived in fortified castles out of fear of marauding strangers. Law and order were in short supply, and troops to enforce both in the countryside were seldom in evidence. Such international order as there was in Europe sprang from the papacy and the international ecclesiastical courts, sometimes in concert, sometimes in conflict, with shifting imperial powers (first Roman, then Byzantine, then Gallic, then Germanic). To establish political and civil order over an illiterate, multicultural, passion-bound and fractious maelstrom of displaced and insecure tribes occupied every available political energy. From the time of Plato's *Republic* and Aristotle's *Politics*, through Aquinas on *The Rule of Princes*, Dante's *De Monarchia* and *Three Political Letters* and Machiavelli's *The Prince*, intellectual energies were riveted on the uncertainties and vagaries of politics. Thought about economics was pushed to the margins.

For centuries, too, economies had been almost wholly agricultural, at the mercy of the weather and roaming armies. Biblical words seemed to sum up economic reality: "There shall be seven fat years, and seven lean", and there wasn't much humans could do about it. By 1776, however, new inventions were changing industry and new settlements across the Atlantic had opened up virgin possibilities. In these circumstances it fell to Adam Smith to ask, more systematically than had anyone before, *What is the cause of the wealth of nations?*

The century following Smith brought economic reasoning to the forefront of human consciousness. This reasoning, however resolutely adversarial toward traditional religious ways of seeing things it was, in one respect remained rooted in a Judeo-Christian metaphysics. As John Stuart Mill pointed out, Asiatic consciousness was through-and-through communal. Swarms of coolies organized from on high had built the Great Wall of China. Outside the regions shaped by centuries of Jewish and Christian teaching about the self and its individual destiny, most peoples did not think of themselves as individuals, but rather as members of tribes, clans and local communities. Against that pattern, modern Western economics chose a decidedly individualistic analysis of economic action, with terms like action, self and individual playing a decisive role in it. This emphasis it owed to its religious heritage more than to any other source.

Indeed, even highly secular persons in the West experienced discomfort with this new "economic" point of view. By the mid-19th century, socialists and communists, having accused liberal economists of false consciousness, were busy erecting a system of economic thought based upon collectives, classes, the national state and ultimately the "Socialist International." The international community was to be constituted by a new, utopian state of consciousness and a new form of social organization from which the egotistical self would be banished. Beginning with the wife of John Stuart Mill and then the great Mill himself, a surprising number of economically-trained minds were captivated by this vision and its supposed moral superiority to bourgeois individualism. No longer orthodox Jews or Christians, such persons had no intellectual ground on which to base the metaphysical priority that biblical faith had heretofore assigned the individual. By 1850, the secularization of Western consciousness, at least in Europe, had deprived even highly trained minds of their confidence that the individual human being was paramount in the drama of history.

The stage was thus set for the great tragic ideologies of the 20th century. Two myths about the moral superiority of the collective to the individual swept the world: first, the myth of a collectivist economics propounded by Marx, Engels and then Lenin, Stalin and their successors; and, second, the fascist myth of collectivist politics propounded by Mussolini and then Hitler. Both took as their enemy liberal individualism, and also the orthodox Judaism and Christianity that nourished its roots, which they worked to supplant with new mythic and pagan liturgies of their own devising.

The underlying myth of socialism (even the Nazis called themselves National *Socialists*) intoxicated many Western intellectuals. In 1937, John Dewey's *Liberalism and Social Action* placed liberals in an entirely new historical narrative. In its origins, liberalism opposed the concentration of power in the State, but drawing from interpretations of Hegel and the currents of the Progressive era, Dewey urged liberals to see the State as an agent of great good. Many liberals henceforth depicted the captains of industry as "economic royalists" and the State as the agent of progressive social change. Thus was the way cleared for what came to be called "social democracy", a version of the socialist narrative of history digestible for Western bourgeois sensibilities. The essence of the matter is that for a multitude of intellectuals the accepted narrative line became: State=good and bourgeois (business, individual)=on the wrong side of history. Knowing in advance the direction of history, one had only to discover which elements strengthened the State or weakened bourgeois centers of resistance in any new circumstance in order to know which side to support.

BOTH THOMAS Sowell and Charles E. Lindblom were indoctrinated early in the democratic socialist narrative of history. But while the former rebelled against that narrative early and decisively, the latter stayed with it longer and, on the evidence of his latest book, while he has made much progress, his emancipation from it is still a work in progress. Both men have recently written primers in economics.[1] This gives us an unusual window on the various turnings of minds and temperaments in the wake of the Cold War and the collapse—if we may slightly mangle a title of Isaac Deutscher—of socialism armed. As anyone who has ever attempted to write a basic or introductory text knows, it is an endeavor that forces the writer persistently back toward first principles—toward philosophy. What are the basics of economics? What is the market? What does the term "enterprise" add?

Sowell has elsewhere described the experience of awakening from the democratic socialist dream as the end to a period of intellectual wishfulness. He discovered a reality principle and came to loathe the illusions in which he had been encouraged to live. In *A Personal Odyssey* (2000), Sowell described those illusions as a childish evasion of hard realities, limits

[1]Sowell, *Basic Economics: A Citizen's Guide to the Economy* (New York: Basic Books, 2000); and Lindblom, *The Market System: What It Is, How It Works, What To Make Of It* (New Haven, CT: Yale University Press, 2001).

and constraints. In *The Vision of the Anointed* (1995), Sowell could not wholly repress his anger at those who, while nourishing illusions that destroy, legislate how their lessers should live.

Perhaps the most bracing feature of *Basic Economics* is that Sowell starts out, on page one, with that most central of adulthood's themes: constraints, limits, tough choices, losses as well as gains. He defines economics in the classic words of Lionel Robbins: "Economics is the study of the use of scarce resources which have alternative uses." We are limited in our powers, our knowledge and in the time we have to learn, consider, act and follow through. On all sides we experience constraints. But the most significant limit to our desires is scarcity: "People want more than there is." Because there are alternative uses of resources, we must make choices; we cannot have all alternatives, we must deprive ourselves of some good things in order to gain others. Journalists in the *New York Times*, Sowell wryly observes, are continually shocked that middle-class Americans—some even with swimming pools of their own—are "Just Getting By", are "Constrained by Credit Card Debts", and still face "Dreams Deferred and Plans Unmet." It is too bad that middle-class Americans don't just get manna from heaven. It is sad that so many of them find the constraints of adulthood a bitter disappointment.

From chapter to chapter (25 in all), Sowell returns often to his fundamental theme: There is scarcity and there are alternative uses for resources—so deal with it. He depicts both intelligent and foolish ways to deal with choices among alternatives, specializing in showing that the courses of action most often proposed by influential media outlets are among the least intelligent ones. (It would be a useful exercise for some enterprising graduate student to abstract from this book the hundred or so key fallacies that Sowell unmasks, developing a kind of anti-catechism of utopian economics.)

The seven parts of Sowell's book each conclude with an overview chapter, so in a sense Sowell himself makes clarity easy. To convey the sweep of his thought, let me list his seven headings: Prices; Industry and Commerce; Work and Pay; Time and Risk; the National Economy; the International Economy; and Popular Economic Fallacies. That last chapter takes up "non-economic" values, "purchasing power" and "business and labor."

Because of recent brouhahas concerning globalization, Sowell's chapters on the international economy bear special virtue. The fallacy with which Sowell opens these chapters comes from, yes, the economic reporting of the *New York Times*, concerning NAFTA in 1993: "Abundant evidence is emerging that jobs are shifting across borders too rapidly to declare the United States a job winner or a job loser from the trade agreement." Here the *Times* embraces two fallacies. First, there is no fixed sum of jobs, some of them "shifting" one way or the other. Second, trade is not a zero-sum game in which one country wins and the other loses. A country engages in trade because it wants to gain; another country agrees to trade with the first because it, too, expects to gain. When *both* countries become more prosperous because of trade, both gain jobs. In the six years following 1993, for example, the U.S. auto industry, which Congressman David Bonior of Michigan had predicted would "vanish" under this agreement, actually gained 100,000 jobs. Mexico probably gained even more.

Sowell also presents eloquent discussions of the differences among "comparative advantage" and "absolute advantage", and of "economies of scale." Since time and resources are finite for everyone, concentration of sound effort is a gain. It is an absolute advantage when, because of climate, geography or the mixture of skills in its population, one country may be able to produce cheaply something that another cannot produce nearly so cheaply, or even at all. Bananas can be grown in North America, but only in greenhouses and at prohibitive expense; they can be bought at a fraction of that cost from the Caribbean.

Yet even when one country can produce practically everything more cheaply than another, it may still find it advantageous to concentrate on those products in which its advantages are significantly greater. For example, even if the United States can produce both shoes and shirts more cheaply than Canada, it may find it more efficient to concentrate on producing the one in which it has a huge advantage, and buying from its partner the one in which it has a lesser advantage. In that way, both countries concentrate efforts to the maximum advantage of each.[2]

Economies of scale lead nations to trade, too, inasmuch as some countries are so small that their internal market cannot support production that requires large expenditures of capital or labor, unless they find partners whose needs complement their own. Thus, South Korea and Taiwan could not manufacture many things they do without access to far larger markets outside their borders. The Dutch retailer Royal Ahold has more than two-thirds of its sales outside the Netherlands, and the Swedish retailer Hennes and Mauritz has more than four-fifths of its sales outside Sweden. The U.S. retailer Wal-Mart exports much more than either Royal Ahold or Hennes and Mauritz, but still four-fifths of its sales are in the huge U.S. market, which affords it ample economies of scale. U.S. auto companies can manufacture and export automobiles to Australia far cheaper than Australian companies facing a far smaller market could manufacture at that price. Since all resources, including labor, are scarce, no country can make everything. Concentration of effort upon selected alternative uses of resources brings higher rewards than diffusion of effort. International economics is the science of predicting the costs and benefits of such alternative uses, given the constraints of scarcity and finitude.

The fallacy of "exporting high-paying jobs overseas" also remains a hardy perennial. How can that be? Largely because excitable commentators forget the realities of scarcity, finitude and the need for concentration—and the advantages to be gleaned from focusing on competitive advantages. For more than two centuries now, higher-wage countries (Great Britain in the 19th century, the United States in the 20th) have been exporting to lower-wage countries while continuing to gain in national wealth, and also in numbers of jobs and higher prosperity. The comparative American talent in the field of computers, which Americans pioneered, is invention and innovation, especially in software. Concentrating where Americans are strongest and rewards are greatest, Americans could easily afford to allow other peoples overseas to manufacture much of the hardware for the industry. This is not to say that adaptation within and between industries is always smooth, easy and without cost. Economics, in whose very definition scarcity is a domi-

[2]Sowell shows how a comparison of the man-hours it takes to make 500 shirts in the United States and the hours it takes in Canada, against the man-hours it takes to make 500 pairs of shoes, prompts American producers to concentrate on shirts and Canadians to concentrate on shoes. The result is that the two countries together, expending the same number of man-hours, produce 6,000 more shirts and 1,000 more shoes than they would otherwise have done. In such ways, both countries exercise comparative advantages, seeking partners with mutually beneficial matches.

nating landmark, is not an especially rosy discipline.

Sowell is unusually good, if perhaps too succinct, on "International Transfers of Wealth", especially in showing us how to interpret scary terms such as "debtor nation." In any given year, Japanese Toyotas or Hondas may be the best-selling car in the United States, while no U.S. car has ever been the best-seller (or even remotely close) in Japan. So, true enough, the Japanese usually have a huge trade surplus with the United States. As an accounting mechanism, registering only the physical things that move across boundaries, the United States is a "debtor nation." But the U.S. economy produces more services than goods, including most of the software that runs the computers in Japan and elsewhere. These exports often do not show up in the accounting. Meanwhile, the Japanese and others build factories in the United States with their surpluses. (They do this, among other reasons, so as not to have to pay for shipping their cars across the ocean.) In addition, the comparative advantage of our political and civil institutions, and the inventiveness of our economy, make investment in the United States more secure and rewarding than in most other places.

True, foreign investment in the United States (the largest share comes from the British, by the way, not the Japanese) is accounted for as a "debt." But distinguish, Sowell keeps insisting, between words and things. As an accounting convention, Japan profits from selling to us, and Japanese investment of these profits over here may be referred to as "debts." But real salaries are then being paid here to Americans who are producing more things with these funds than we otherwise could. The United States is not getting poorer. On the contrary: between 1980 and 1990, the U.S. Gross National Product (GNP) rose from \$2.7 trillion to \$5.6 trillion. By 2001, it had nearly doubled again, to \$10.1 trillion. In the world of real effects, then, such phenomena resemble what happens when we deposit money in our account (and the bank goes deeper into "debt" to us), not what happens when we charge things on a credit card.

Moreover, in this spurious sense, the United States has been a "debtor" nation for most of its history, and it didn't hurt. During the 19th century, foreigners put up much of the money for the Baltimore & Ohio, New York Central, Illinois Central and other railroads, and otherwise helped to turn this predominantly agricultural nation into a manufacturing colossus.

Sowell closes with some highly illuminating pages on remittances to foreign countries from immigrants working here, on foreign aid and on the myth of economic imperialism. His hardheadedness in facing up to scarcity, constraints and less-than perfect choices has a refreshing adult quality. Sowell not only covers much ground, he keeps his feet on it.

TO ENTER the world of Charles Lindblom's *The Market System* is to breathe quite different air. Whereas Sowell operates pretty much within the first realm of economic questions, dealing with some of the perennial realities facing any economy, Lindblom operates rather more in the second realm, the comparative realm, trying to understand "the market system" as one device among others for achieving economic coordination. Although Lindblom has by now given up on his earlier pining for something like a democratic socialist system, in the third and final part of this work he is still inclined to seek "alternative market systems." He even retains a forlorn hope that "an alternative to the market system" can still be found. Unlike Sowell, who emphasizes scarcity and constraints, Lindblom stresses imagination, freeing one's thinking from constraints, and a remarkably rosy ideal of "democracy" within which choices, trade-offs and limits—while they must be faced—are mourned as defects.

Lindblom distinguishes "the market system" from markets, which every form of economy, even socialist ones, must employ. He defines the former as a system of society-wide coordination of human activities, not by central command but by mutual interactions in the form of transactions. He contrasts such a system with the household economy, which may organize the domestic life of an entire extended family but does not extend to the whole of society. He also contrasts it with the isolated black markets a visitor some years ago might have encountered on the streets of China. It is not enough that buying and selling occur; market transactions must coordinate an entire society.

In choosing the "market system" as the heart of capitalism, Lindblom makes a fundamental mistake. It is not the market, nor even a market "system", that most distinguishes the contemporary form of economy we call capitalism. The market is surely an indispensable mechanism of coordination for capitalism but, as Lindblom notes, markets are found in all economic systems. To see why the market system is not the central dynamic, consider Poland after the fall of communism. Suppose that the *Sejm* (as it did) decreed the abolition of the National Planning Board and determined that, henceforth, prices would be set by the market. Suppose further that it guaranteed private property rights, chartered banks, permitted private accounts, and recognized the legitimacy (even necessity and public benefit) of private profits. Still, if the Polish people had continued to be as economically passive as socialism from 1948–88 had taught them to be, and had waited for the state to tell them what to do next, all these measures together would not have sufficed to engender capitalism. No, capitalism began when, in the first six months of 1990, more than 500,000 Poles started new private business enterprises, and in the next six months a commensurate number did the same. Capitalism begins with the creative act and the habit of enterprise. Lindblom's whole account would have differed dramatically if he had begun with this point. As it is, his account proceeds with a certain impersonality, lack of human feeling and absence of human drama.

Yet it is not fair to tell an author which book he should have written, and there is a great deal in Lindblom's book for which to be grateful, particularly so for readers of Lindblom's earlier, more anti-capitalist books. For instance, in *Politics and Markets* (1980), a much-discussed book published during the Carter Administration, Lindblom wrote that "the large private corporation fits oddly into democratic theory and vision. Indeed, it does not fit." Coming at a time when the U.S. government had no political difficulty in confiscating hundreds of billions of dollars (styled "windfall profits") from the oil industry, and in bringing the nuclear power industry to a standstill, his book provided a spur, *in the name of democracy*, for bringing private economic activities under increasing governmental control.

In those days, Lindblom was even willing to lean over so far backwards in his sympathies that he could write:

> A communist intellectual asks: 'What are people free from in the Soviet Union? They are free from exploitation, from all moral oppression, and consequently their thinking and deeds are free from age-old shackles created by the economic, political, and moral rule of the exploiters.' It is not a ridiculous argument.

(My reaction when I first read this was to wish that Lindblom might explain this argument to Anatoly Scharansky.)

Now, however, Lindblom begins by noting the thorough discrediting of communism after 1989 and the subsequent abandonment of socialist economics by democratic socialists in Europe. He confesses that for many years he did not really understand the market system, nor did many of his teachers, and he takes as his present theme many "puzzles" about the market system that still trouble him. In a way, this book can be read as the effort of an intelligent man of the Left to reconcile himself to his ancient antagonist, and to make of that what he can. The reader easily detects the old socialist impulses, however—the tugs, the siren song of the old standard objections. But on the whole his attempt at self-reconciliation is a success.

Socialist ideologues, Lindblom concedes, "have realized that aspiring for a better society is not enough. They have to face the complexities of constructing one." Nonetheless, Lindblom keeps the socialist option open. He even imagines that some nations of the old Soviet Union "may return to old ways rather than continue to suffer the hardships of transition. . . . The end of the story has yet to be written." Since Lindblom approaches political economy as a task for "constructing" a better society, he worries that the success of the market system is too great: "Mainstream economics still stumbles because the market's dazzling benefits are half blind to its defects." He rejects extremists who "perceive in the benefits of the market system only the smoke of their burning disapprobation", for he has lately learned that market successes prove "the obsolescence of tired old attacks" on it. But every time Lindblom is forced to concede merit to the market system, his mind instinctively drives for a debit: "We cannot simply ignore the many highly informed dissenters who believe that experience with the market system has already shown, to anyone who cares to look dispassionately at the evidence, that it has put us all on the road to disaster."

Lindblom also concedes that such democracy as the world has yet achieved exists only in market systems: "Is the market system ally or enemy of democracy? What we call democracy does not exist except in market societies; yet the influence of money in politics arouses suspicion that none of these societies are very democratic." The market system "can coordinate human behavior or activity with a range and a precision beyond that of any other system, institution, or social process. But it is a harsh and often cruel coordinator." And again in praising the market system: "Historically, it has supported democracy—there are no democratic nation-states except in market societies—but it has sabotaged important democratic features of ostensibly democratic states." And in his conclusion: "My thesis is that there are great unsettled issues about a place for the market system in the future of any society."

In one sense, this is obviously true. Sowell would feel no need to write *Basic Economics* and expose scores of public "fallacies" if there were not in the public mind unsettled issues about market systems. But Sowell assigns many of these issues either to the nature of reality itself, which demands ever shifting patterns of choice about scarce resources and alternative lines of action, or to mistakes and illusions in the minds of opinion leaders (probably the same ones Lindblom refers to as "highly informed dissenters"). By contrast, Lindblom still doubts the value of market systems for human flourishing.

Lindblom's short book is divided into three parts: how the market system works, what to make of it, and, as we have noted above, alternatives to it. In less than a hundred pages of part one, he describes how markets "coordinate" society, although he often slips into referring to mere incentives as forms of "control"—trying to stuff market economies into the same mold as command economies. He also struggles to understand how the market system fits into the other social systems of the free society, for he notes that not all matters (science, welfare, religion and the arts) are ruled by markets or market principles. The "domain" of the market system is wisely limited.

Lindblom also devotes a chapter in part one to the role of the corporation and the enterprise. He sees entrepreneurs and corporate executives as the privileged decision-makers regarding "what cooperation is to be attempted and by what means." They choose to use *these* resources to produce *these* goods in *this particular fashion.* Lindblom is anxious to be fair:

> I think we can do better than such popular formulations as that corporations today rule the world (they do and they don't), that enterprises are governed by irresponsible rapacious executives (often the case but of less significance than might first appear), that, for good or bad, corporations have displaced the market system (a wild exaggeration), or that they can be trusted to govern themselves (power corrupts).

In part two, consisting of ten short chapters, Lindblom tries to make some sense of what market systems mean—for efficiency (about which he has doubts), freedom, human personality, culture, "the masses" and democracy. He is much influenced by the social philosophers of the Frankfurt School and others (he specifically mentions Jürgen Habermas) who have for many decades severely criticized market societies, for which they in fact show considerable contempt. Lindblom is now more kindly disposed toward markets than they, but they remain his reference group and his brake.

Much of the systematic ambiguity in *The Market System* derives from Lindblom's unspoken, nearly invisible, yet omnipresent idealism about human beings, human institutions, and their possibilities. When he speaks of "freedom", "democracy", "rationality" and "efficiency", he seems to have in mind so pure a standard for each that, if it were made more explicit, acceptable members would turn out to a null set. For example, he is disheartened by the deficiency of freedom in the lives of workers, because when they show up daily for their factory jobs they are "controlled" by the incentives offered them. But to confound their many incentives with "controls" is to imagine so pure a state of freedom, altogether apart from costs and benefits, that one wonders if even angels may enjoy it. In real life, when the incentives are not just right, one brother says "no, thanks" and seeks employment elsewhere, even though the other brother, for other reasons, goes ahead and enters the factory. Is that not a considerable freedom, imperfect as it is?

In politics, Aristotle wrote, one must be satisfied with a tincture of virtue. In ethical reflection, it is a great mistake to expect the same perfection as one finds in logic, mathematics and the deeper reaches of metaphysics. The range within which finite, imperfect and largely ignorant human beings can enjoy freedom is not unbounded. Yet it is a domain altogether real and precious, worth dying to protect.

THE SIDE-BY-SIDE publication of these two self-described primers on economics nicely illustrates a crucial divide in the intellectual imagination of our time. One would have thought that the collapse of socialism, both behind the Iron Curtain and in the practical economic thinking of social democrats and democratic socialists, would have thrust virtually all intellectuals and social commentators into a grudging but realistic embrace of democracy and capitalism—these two imperfect yet precious systems—in order to make of them the best that our finite capacities permit us. That is what Charles Lindblom has done. But many of the same voices that once hated America and capitalism still hate America and capitalism, some now more desperately than ever. Their own lack of a workable and available alternative, and the disappointment of their earlier socialist illusions, seems, if anything, to have given them an even sharper edge.

Today's anti-capitalists are mostly not self-described communists or socialists; they declare themselves to be environmentalists, or vibrate against globalization without particular labels for themselves. The trouble with the greens is that, by the end of the summer, they turn out to be reds. Just as in the bad old days, they want the state to command private businesses. And the trouble with anti-globalizers is that those living in the most forlorn parts of the world not yet included in the global system remain today the most desperately poor, ill and likely to die young. As before, envy and the undifferentiated impulse to leveling are at work.

The deeper problem seems to be that neither democracy nor capitalism provides much in the way of pure, idealized outcomes, romance, poetry or myth. Both are systems for adults who have crossed what Joseph Conrad called "the shadow line" that separates illusion and fantasy from a sense of limits and reality. While Professor Lindblom seeks a reasonable idealism, struggling admirably to quell his own romantic tendencies, it is Professor Sowell who better exemplifies the sense of constraints that the ancients used to call *phronesis* ("practical wisdom" or, in some translations, "prudence").

Sowell's prudence is the habit of mind better suited to democracy and capitalism. Considerably less enamored of pretty ideals, more attentive to the multiple ways in which things can go wrong in human affairs, men and women of practical wisdom rejoice in the limited good effects that, despite everything, may actually be achieved. They count as blessings those imperfect beauties that utopians reject as flawed. What can we do when faced with such a tension except once again to recall Wallace Stevens, who observed in verse: "Our paradise is the imperfect." □

Money & Class

As we move into capitalism, less and less wealth is inherited; more and more is the result of good luck or good management in the sense of holding one's resources in a form that is rising much more rapidly in value. It's capitalism that has the best chance of producing a classless society in its most developed form. Centrally planned economies invariably create societies with the self-perpetuating elite of apparatchiki.

—Kenneth E. Boulding (1985)

In a society dedicated to economic development and 'personal growth' at the expense of all larger loyalties, conservative values are too important to be left to pseudo-conservative apologists for capitalism. In our time, the most profound radicalism is often the most profound conservatism.

—T. Jackson Lears (1981)