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8 The American Question: If You're So Smart Why Ain't You Rich?

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Unhappily, economics sometimes forgets its scientific duty and begins to promise magical stories, reversals of fortune to be had merely by paying attention to the local economist. The magic of physical engineering in our world has long nourished a wish for social engineering. The economist is supposed to provide it, by the magic of expertise.

Americans say they don't hold much with experts. As Harry Truman said, "An expert is someone who doesn't want to learn anything new, because then he wouldn't be an expert." Europeans admit a need for expertise to keep their class struggle going, to which the American response is a Bronx cheer. Though Nicholas Murray Butler, the president of Columbia University long ago, made the university an American refuge for experts, he said that they know more and more about less and less. By way of contrast the European next to Nicholas Murray in the roll of remarks, Samuel Butler the Younger, had little respect for pretension in general but plenty for the pretension of experts: "The public do not know enough to be experts, yet know enough to decide between them." And having decided the public follows their magical advice.

You don't say. The rhetoric of the New World abounds with deflations: "Look who's talking"; "Where do you get off?" "Who d'you think *you* are, Bub?" And from Maine to California the capitalistic, American democrat relishes that most American of sneers, that American Question: "If you're so smart why ain't you rich?"

Well, why ain't you? The American scholar suffers taunts unimaginable in Germany or France, for not meeting a payroll, for not coming down from the ivory tower, for not getting wet behind the ears of his smarty egg head. Come to think of it, though, if he's so gosh darn smart why *hasn't* he gotten rich?

The question cuts deeper than most intellectuals and experts care to admit. The test of riches is a perfectly fair one if the expert claims to deliver actual riches, in gold or in glory. At a minimum the American Question should constrain expertise about gold, and the counterstory can therefore begin with economics. It goes further, though. The American Question embarrasses anyone claiming magical and profitable expertise who cannot show a profit, the historian second-guessing generals or the critic propounding a formula for art. He who is so smart claims a Faustian knowledge, "Whose deepness doth entice such forward wits / To practice more than heavenly power permits."

Begin with economics. Take it as an axiom of human behavior that people pick up \$500 bills left on the sidewalk. The Axiom of Modest Greed involves no close calculation of advantage or large willingness to take a risk. The average person sees a quarter and sidles over to it (by experiment it has been found that Manhattanites will stoop for a quarter); he sees a \$500 bill and jumps for it. The Axiom is not controversial. All economists subscribe to it, whether or not they "believe in the market" (as the shorthand test for ideology goes), and so should you.

Yet it has a distressing outcome, a dismal commonplace of adult life, a sad little Five-Hundred-Dollar-Bill Theorem:

If the Axiom of Modest Greed applies, then today there exists no sidewalk in the neighborhood of your house on which a \$500 bill remains.

Proof: By contradiction, if there had been a \$500 bill lying there at time $T - N$, then according to the axiom someone would have picked it up before T , before today.

From this advanced scientific reasoning it is a short step to com-

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mon sense. If a man offers advice on how to find a \$500 bill on the
 sidewalk, for which he asks merely a nominal fee, the prudent
 adult declines the offer. If there really were a \$500 bill lying there
 the confidence man would pick it up himself.

Such common sense is so obvious that confidence games must
 clothe themselves in a false rhetoric of self-interest. In the Pigeon
 Drop the victim (that is, the pigeon) is persuaded to part with his
 bank account by way of earnest money for a share in a bundle of
 money "found" on the sidewalk. He must be persuaded that the
 con men are asking for the earnest money only as self-interested
 protection against the pigeon himself absconding with the bundle.
 (After the con men have disappeared with his bank account he
 finds out that the bundle entrusted to his care is paper stacked be-
 tween two \$10 bills). Even pigeons don't believe that someone will
 present them with \$500 out of the goodness of his heart.

The leading case is the scheme to get rich quick. A letter arrives
 announcing itself as "The World's Greatest Secret! Now you can
 learn how to receive 50,000 crisp \$5 bills in the next 90 days. . . .
 A personal note from the originator of the plan," Edward L.
 Green. His surprising kindness is affirmed by Carl Winslow of
 Tulsa: "This is the only realistic money-making offer I've ever re-
 ceived. I participated because this plan truly makes sense!"

Common sense replies that the plan truly does not make sense,
 not any sense at all. Though the plan uses the rhetoric of mutual
 interest—believe me, fella, this deal's good for you and me both—
 it does not turn the rhetoric on itself. If Mr. Green had the secret of
 receiving 50,000 crisp \$5 bills he would clue you in only if your
 one crisp \$5 bill was good for the chain and good for Edward L.
 Green. But you have no reason beyond Mr. Green's assurances to
 think you are early in the chain. If you are not you send out money
 and get nothing in return. A child will subscribe to a chain letter—
 or a guaranteed investment in Civil War figurines or a set of presi-
 dential commemorative coins suitable for collectors—and expect
 to win; an adult will not. No one with experience of life believes
 Publisher's Clearing House when it writes "*Ms. Z. Smith*, you

have just won \$250,000." The adult does not expect fortune to come unbidden and asks prudently "Why are they telling me this?" Prudence is suspicious of an offer equivalent to picking up a \$500 bill. Except to the flocks of optimistic Americans who invest daily in chain letters and prize-winning magazine subscriptions, all this goes without saying.

Therefore the Bargains and Hot Tips and Special Deals For You Alone offered by over-friendly men with clammy handshakes at dog tracks and used-car lots do not tempt the prudent adult. Yet similar offers made outside a Damon Runyon setting seem plausible to respectable if greedy folk. The high-class pigeons come flocking to the con, eager to believe that Mr. Expert is about to give them free advice on how to make a million.

Economists, for example, are routinely asked at cocktail parties what is going to happen to the interest rate or the price of housing or the price of corn. People think that asking an economist about the future is like asking the doctor at the party about that chest pain. You get an expert to do his job free. Take corn. Any agricultural economist in the Midwest spends much of his airtime delivering expert opinion on what will happen next month to its price. Surely he must know, this expert, if anyone does. It would be poor news to be told that after all no one does know, or can.

An economist who claims to know what is going to happen to the price of corn, however, is claiming to know how to pick up \$500. With a little borrowing on the equity of his home or his reputation for sobriety he can proceed to pick up \$500 thousand, then \$500 million, then more. Nothing to it. If an agricultural economist could predict the price of corn better than the futures market he would be rich.

Yet he does not put his money where his mouth is. He is not rich. It follows by strict implication that he is not so smart.

It may be objected that the profitmaking is risky and that professors of economics are cautious. Therefore they do not put their money where their mouths are, even though their mouths are

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working fine. The objection has the problem that the bet on the price of corn can be hedged, which is insurance. It is no bet. Some- one who can outsmart the market on average even a little can make a lot of money simply, at no risk. No wonder: the oppor- tunity to buy corn low and sell high, like the right to run a TV station in the 1960s or to import Toyotas in the 1980s, is like find- ing a \$500 bill any time you want.

It may be objected that the profitmaking is complicated and that professors of economics are elaborately trained experts in the complexities. Therefore the \$500 bill is not available to just any- one, only to them. The wizards earn merely what they are worth, the normal return to years of studying wizardry. This objection, too, has problems. The first is that the wizards are telling us about the future price of corn or bonds or housing at cocktail parties and in the newspaper, free. Why are they handing over to John Doe their just rewards for going to wizard school?

The second problem is that the wizardry claimed is systematic, formulaic, and, when you come right down to it, pretty simple. It involves the fitting of a few straight lines to scatters of points. Take a course in economic statistics, the promise goes, and become able to predict the future in profitable ways. The promise is hard to be- lieve, because it sounds a lot like The World's Greatest Secret. Ordinary secrets and routine advice do in fact flow from econom- ics, and doubtless economists earn their keep. Unlimited wealth, however, cannot be expected to flow from a book or even from many years of concentrated study in economics. Compared to un- limited wealth, many years of study is like the trivial cost of reaching down to pick up a \$500 bill. If someone knows a schol- arly formula for predicting the price of corn it would already have been exploited.

The same grim truth from the American Question applies to the stock market. Because the stock market is obviously a matter of expectations, about which we all know something, and because it is crowded with experts in handsome wool suits, the truth is hard

to swallow. Heh, *Barron's* and "Wall Street Week" wouldn't kid me, would they? Surely all those analysts and pundits and technical elves know *something*.

No, no, unhappily, they surely do not. They truly do not make sense; not any sense at all. The reason they do not is the American Question and the Five-Hundred-Dollar-Bill Theorem: there exists no sidewalk in your neighborhood with \$500 of stock market profits lying on it. If a stockbroker were so smart he would not be making his riches by selling stock tips to widows and orphans. In the style of the chain letter, the tipster divulges inside information for his gain and your loss. The rhetorical pose of stockbrokers and racetrack tipsters to be offering prudent advice is contradicted by their circumstances, a contradiction catalogued in rhetoric as the "circumstantial ad hominem." That is to say, "Being so smart, why don't you do it yourself, if it's such good advice?"

"A tout," said Damon Runyon (1958 [1933], 19), who knew the score on the economics of prediction, "is a guy who goes around a race track giving out tips on the races, if he can find anybody who will listen to his tips, especially suckers, and a tout is nearly always broke. If he is not broke, he is by no means a tout, but a handicapper, and is respected by one and all." Runyon in truth was a sucker for tips himself, and lost so regularly and embarrassingly that he would buy a two-dollar ticket on every horse, to be able to exhibit a winner (Clark 1978, 197).

We know the force of the American Question and the Five-Hundred-Dollar-Bill Theorem as well as we know anything. If we know that the sun will rise tomorrow and that prime numbers are odd we know that people who were so smart would be rich and that sidewalks which were so filled with \$500 bills would be cleared. Therefore a prediction about stocks—as distinct from mere current information about the market, a mere statement of the going odds, a mere consensus of public opinion, reflected in the price—is on average worthless.

It has been easy therefore to assemble statistical evidence that the Five-Hundred-Dollar-Bill Theorem is true about Wall Street:

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g. They surely do not. They truly do not make. The reason they do not is the American Hundred-Dollar-Bill Theorem: there exists a neighborhood with \$500 of stock market stockbroker were so smart he would not be giving stock tips to widows and orphans. In fact, the tipster divulges inside information. The rhetorical pose of stockbrokers and offering prudent advice is contradicted by a tradition catalogued in rhetoric as the "American Dream." That is to say, "Being so smart, why not, if it's such good advice?"

Runyon (1958 [1933], 19), who knew a thing or two about prediction, "is a guy who goes out looking for tips on the races, if he can find any. He's a tipster, especially suckers, and a tout is a guy who is not broke, he is by no means a tout, he is respected by one and all." Runyon in fact lost himself, and lost so regularly and emphatically that he would buy a two-dollar ticket on every horse race. (Clark 1978, 197).

The American Question and the Five-Hundred-Dollar-Bill Theorem as well as we know anything. If we could predict the future tomorrow and that prime numbers are prime numbers who were so smart would be rich and the market would be so filled with \$500 bills would be a fiction about stocks—as distinct from a statement about the market, a mere statement of fact. The consensus of public opinion, reflected in the market, is less.

It is more difficult to assemble statistical evidence that the Hundred-Dollar-Bill Theorem is true about Wall Street:

stock markets everywhere do in fact jiggle about in unpredictable ways. The evidence is by now overwhelming. In 1933 Alfred Cowles, one of the founders of modern statistical economics, posed the question in a title, "Can Stock Market Forecasters Forecast?" He answered, "It is doubtful." Cowles himself had abandoned a forecasting business in 1931, ashamed of his failure to foresee the Great Crash. Burton Malkiel's *A Random Walk Down Wall Street* (1985) gives an accessible summary of the research since Cowles, such as P. H. Cootner, ed., *The Random Character of Stock Prices* (1964). The forecastability of stock prices continues to be at best doubtful.

It may be objected that sophisticated people do in fact buy stock market advice. An economist (and only an economist) would conclude that something of value had been bought. A reply has been suggested by James Burk, a sociologist and former stockbroker, who found that the advice-giving industry sprang from legal decisions early in the century (1988). The courts began to decide that the trustee of a pension fund or of a child's inheritance could be held liable for bad investing if he did not take advice. The effect would have been the same had the courts decided that prudent men should consult Ouija boards or the flights of birds. It was so at Rome: a consul who ignored the advice of the college of augurs was liable to prosecution after retirement. America decided through its judges that an industry giving advice on the stock market should come into existence, whether or not it was worthless. It did, and was. (Europe is not similarly blessed with an advice industry, because the law is different.) The industry can go out of existence the same way. The judge who first asks the American Question and rules a stockbroker liable for his unsuccessful advice will save many a widow and orphan from investment counseling.

It may be objected that after all a great deal of money is made in the stock market. But a great deal is also made at the track in Miami. Grandfather Stueland was offered Radio Corporation of America stock in the early 1920s and regretted later that he had

invested in Stueland Electric instead. Some people did buy RCA: they must have known. But that some people win at the stockbroker or at the \$100 window at Hialeah racetrack in lucky Miami does not mean that they were justified in their true belief. They could have won by luck rather than by a justifying technique. People win at slot machines, too, but cannot tell how, because they use no justifiable, inscribable, bookable technique. And even if some people *do* know they will win (God appears to them in a dream and tells them, maybe; or they have genuine inside knowledge), there is no way for the common pigeon to know what these alleged experts know. Why would they be telling you, Bub?

It may be objected at last that the economist or other seer in the stock or bond or housing market does not have access to the big loans to make big money. Yet consortiums do have access to the big loans, and if the wisdom comes simply from being an economist it ought to be simple to assemble a consortium of economists. A consortium of famous economists at Stanford and the University of Chicago in the early 1970s believed that interest rates, which were then at shocking, unprecedented highs (6, 6.5, my Lord, even 7.5 percent), just had to come down. The price of bonds, in other words, just had to go up. A good time to buy bonds. The economists complained at lunch that their bankers would not loan them money to exploit this Sure Thing, The World's Greatest Secret. But in the event, sadly, the bankers were right. Interest rates did not fall; they rose. The consortium of economists, relying on its collective expertise, lost its collective shirt.

The routine is the usual one. I myself have lost a shirt or two on real estate deals bound to succeed and on a consortium of economists speculating in the foreign exchanges. From John Maynard Keynes (who lost money regularly before breakfast, but had a Cambridge College backing him up) and Irving Fisher (who reduced Yale's endowment to half Harvard's by touting stocks in 1928) down to the latest scheme of some economist to make money from mathematical models of gold speculation, economists have not earned the confidence of bankers. As it was put by Paul

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Samuelson, a student of these matters (1986 [1982], 541), "It's a mugs game for a dentist—or an associate professor of econometrics—to think that he and the telephone can have an edge over those who count the cocoa pods in Africa and follow the minute-by-minute arrival of new information."

The best known counterexample among economists is said to be the late Otto Eckstein, a fine economist with much common sense who extended the large-scale statistical model of the economy into commercial use. He built Data Resources, Inc. into a company with revenues in 1984 of \$84 million. But Data Resources did not use its own predictions of prices and interest rates to speculate. It sold them to others, mainly to companies who wanted a myth of knowledge to comfort them in the world's uncertainty and to answer wrathful stockholders: "We took the best advice." If Data Resources had believed its own predictions to the extent of speculating on them, and was correct in its belief, then it could have become fabulously richer than it was. To say that Otto Eckstein or Paul Samuelson or other honest purveyors of economic tips became in fact a little bit rich does not answer the American Question. Eckstein and Samuelson (and Louis Rukeyser of Wall Street and Hot Horse Herbie of Broadway) became rich by *selling* advice, in the form of models and statistical equations and other charming talk, not by using it.

Cato the Elder reported of the haruspices, who examined livers in Rome with an expertise approaching the econometric, that they could not but laugh on meeting one another. Economists know lots of similar gags about their inability to predict profitably: forecasting is very difficult, especially if it is about the future; an economist is an expert who can tell you tomorrow why the thing he predicted yesterday didn't happen today; the best I can hope in a forecast is to be intelligently wrong or fortunately right.

One must not get carried away. Nobody doubts that a well-informed economist can tell you a thing or two about the future, mainly from knowing the present well. As the economist Robert Solow remarked about the predictions from Data Resources

(1982), "every month it provides an orderly description of the data, organized in such a way that one's attention is called to events that seem to conform with a reasonable person's understanding of the economy." The American Question casts no doubt on predictions that offer little or no profit. A prediction makes no profit if it is a commonplace or if does not offer a way to buy low and sell high. Predicting that the national income will not fall to zero next year is no more profitable than predicting that the sun will rise tomorrow.

Other people view economists as social weather forecasters. Economists are not so happy with the analogy, since they know they are not so smart. Weather forecasters and price forecasters could both earn a lot of money on a good forecast if they could keep it secret. In fact you will do better predicting a freeze in South Florida by watching the futures price of orange juice than by listening to the National Weather Service. Unsurprisingly, the growers and dealers have hired meteorologists to make predictions that are better than those of the Service.

Come to mention it, though, economists don't do much of a job as public forecasters. Victor Zarnowitz, the leading scholar in the field, makes only modest claims for the most promising method. A recent study by Zarnowitz and Geoffrey Moore (1982) showed that "leading indicators," invented by Moore and now reported monthly in the press, can indeed predict business cycle peaks—but with leads, alas, ranging from one to nineteen months. "The economists are generally right in their predictions," Sidney Webb said once, "but generally a good deal out in their dates." Predicting the end of prosperity as coming somewhere in the next nineteen months is a little better than saying that if it's August then Jamaica has fair chance after a while of getting a hurricane. Yet it is not so smart that the economic forecaster could retire to Jamaica. It is not good enough to be profitable; and if it were, it would be discounted already.

There are other ways of getting to the same doubt that economists can predict. For one thing, unlike humans, hurricanes are

provides an orderly description of the way that one's attention is called to form with a reasonable person's understanding. The American Question casts no doubt little or no profit. A prediction makes no sense or if does not offer a way to buy low that the national income will not fall to be profitable than predicting that the sun economists as social weather forecasters. Happy with the analogy, since they know weather forecasters and price forecasters money on a good forecast if they could will do better predicting a freeze in South futures price of orange juice than by listening to the Weather Service. Unsurprisingly, the good meteorologists to make predictions that the Service. However, economists don't do much of a job. Professor Zarnowitz, the leading scholar in the field, claims for the most promising method. A study by Zarnowitz and Geoffrey Moore (1982) showed that the "Five-Hundred-Dollar-Bill Theorem," invented by Moore and now reported to be indeed predict business cycle peaks—coming from one to nineteen months. "They are right in their predictions," Sidney Webb says, "they get a good deal out in their dates." Predicting the next recession as coming somewhere in the next nine months is better than saying that if it's August then after a while of getting a hurricane. Yet it is not an economic forecaster could retire to Jamaica. It would be profitable; and if it were, it would be

of getting to the same doubt that economic forecaster, unlike humans, hurricanes are

not listening. Humans react to economic predictions in ways that dampen or magnify the predictions. It would be as though the hurricane presently north of Jamaica reacted to a forecast that tomorrow it was going to move further away by saying "Hmm: I'd better turn around and go to Jamaica instead." This is the point made by the conservative economists who suggest that people have "rational expectations." One does not have to accept every part of such a theory to believe the more modest Theorem proposed here. It suggests modestly that people are not so stupid that they are easy to surprise. If they are not easy to surprise, then the economy is not easy to manipulate, and its would-be manipulators are not rich or powerful.

Further and more deeply the equations of fluid dynamics applicable to the weather do not include an equation that rules out cheap but profitable predictions. Economic models do. A person who was smart enough to know the solutions to the economic equations would be rich, unless profitable solutions were already anticipated and discounted by the model. But according to the Five-Hundred-Dollar-Bill Theorem they would already be discounted. If the alleged model is a widely available piece of information or if its essence were embodied in a widely held judgment, it would be useless for making anyone rich. Wise in retrospect, maybe; rich in prospect, no.

The American Question and the Five-Hundred-Dollar-Bill Theorem radically limit what economists and calculators can know about the future. No economist watches the TV program "Wall Street Week" without a vague sense that he is betraying his science. He should be pleased. His science proves its robustness by asserting confidently that the science cannot profitably predict; indeed, that no science of humankind can profitably predict, even the science of stockbrokers. The economic theorem is so powerful that it applies to economists.

The postmodern economist is modest about profitworthy detail, the detail from which she could buy low and sell high. She must be modest especially about the proud claim of economics in

the 1960s, the claim to fine tune the economy, making detailed adjustments to money and taxes in order to offset a depression just around the corner. As economists and other expert knights of Camelot realize now after much tragedy sprung from hubris, if an economist could see around the corner she would be rich. Fine tuning violates the Theorem: a fine tuner would see dozens of \$500 bills lying around her neighborhood. The knowledge that would make fine tuning possible would make the economists who have it fabulously wealthy. The economists go on relating impossibly detailed scenarios into the microphones of television reporters, but in their hearts they know they are wrong.

The American Question requires intellectual modesty in the economic expert, if he does not want people to laugh on meeting him. Hubris will need divine protection. Xenophon reported Socrates saying: "Those who intend to manage [*oikesein*] houses or cities well are in need of divination. For the craft of carpenter . . . or economics [*oikonomikon*] . . . may be learned . . . ; but the greatest of these matters the gods reserve to themselves. . . . If anyone supposes that these [divinations] are not beyond reason, and nothing in them beyond our judgment, he is himself beyond reason" (Xenophon, I.1.7). Socrates could turn to the oracles for divine supplementation of a craft. We have lost today the favor of the gods, and books on economic technique will not assuage our woe.

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9 The Limits of Criticism

If an economist were so smart, then, she would be rich. But there is more. The more leads back to the ancient and sensible doubt that critics can do as much in the way of art as artists can. The American Question mocks the hubris of the critic, whether the critic is a humanist or a scientist, a pundit or a policy-maker.

A crucial point is that the critic's coin of profit need not be monetary. Political power is there on the sidewalk, too, waiting to be picked up if there is something wrong with the 5,000-vote Theorem—that politicians and their advisors who think they see 5,000 votes sitting there waiting to be picked up are mistaken. But of course the Theorem is right. There does not exist a simple way, to be written down in a book, for getting 5,000 votes. The political scientists cannot predict elections in ways that would allow them to manipulate the outcome, doing better than the political artists they study.

Notice the clause of profitability. The political scientists can make predictions all right ("A declared revolutionary socialist will not soon be elected to the House of Representatives from Orange County"). But they cannot make valuable predictions ("Expenditure of \$200,000 on ten-second spots on Channels 2, 7, and 9 during the three weeks before the election will assure the election of Jones to the House"). If two empires fight to the death a great empire will fall. The valuable and impossibly difficult prediction specifies which one.

This is not to say that \$200,000 spent on television advertise-

ments never won an election, or that after the election a political scientist could not interpret the events as a victory for money and television. And once it was a bright idea. After the advertisements won in the 5th Congressional District, however, it would become routine in the 4th and in the 6th and at length in the Nth. If it were so easy the 500-dollar or the 5,000-vote opportunity would be picked up. The supernormal profits, as economists put it, would be dissipated. The expected return from political advice, allowing for its uncertainty, should be approximately zero.

If a critic of elections is so smart then she should be able to sell the analysis. Isocrates the Sophist turned back the boast of the sophists that (unlike the sophists) they did not charge for their Truth. If your Truth is so valuable, why does it not meet a market test? A study of Political Action Committees that predicts elections on the basis of expenditure by the Committees should be sellable at least to the Committees. If not, perhaps it is not valuable advice. It may be good history, giving a sensible account of votes in the past, but it is apparently not good advice on how to add votes in the future. At the margin, as economists like to say, you get what you pay for. The American Question and the Five-Hundred-Dollar-Bill Theorem constrain all forward-looking arguments in the human sciences.

The payment need not be monetary, if money is not what the seer desires. Prestige in the local saloon would be cheaply available if the American Question did not also cast doubt on predictions of sporting events. But it does. The lineaments of the sporting future apparent to the average guy will be reflected in the sporting odds. Only fresh details give profits above average measured in money or prestige. Fresh details are hard to come by. Information, like steel and haircuts, is costly to produce.

The American Question can be asked of all predictions of trend, in journalism, sociology, political science, commercial art, and elsewhere. Some people can predict clothing fashions, for example, but not by a write-downable method. They may have a true belief, but in its justification it becomes false. If it can be made

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routine and written down it is no longer valuably true. Successful
 fashion designers have a private trick for which they are paid large
 sums and about which they are not anyway going to blab. If hem
 lengths followed the stock market (until recently of course they led
 it), then cheap fortunes could be made by exploiting the fact, and
 the fact would be exploited away. But cheap fortunes are oxy-
 moronic.

As the man said about predictions on the stock market, it is
 doubtful that any prediction of tastes is possible. Predicting
 human tastes tends towards the oxymoronic, too. The claim that
 advertisers can predict and therefore manipulate tastes is good ad-
 vertising for advertising, but otherwise doubtful. When Vance
 Packard wrote *The Hidden Persuaders*, which made frightening
 claims about the power of advertising, his friends in advertising
 were delighted. J. K. Galbraith likewise has done for Madison Av-
 enue what it could not have done for itself, persuading influential
 people that advertisers have the power to make people buy their
 stuff. If tastes could be manipulated as easily as the critics of adver-
 tising say then the advertisers would be rich. It is not too surprising
 that a recent study at the University of Iowa has found that televi-
 sion advertising campaigns have less than their claimed power to
 change minds (Tellis 1988).

All manner of provision for the future is limited by the Ameri-
 can Question. The legal rule of first possession, as in mining or
 inventing, for example, gives title to the coal seam or the patent to
 whoever gets there first, giving an incentive to waste resources in
 races such as the race between Kodak and Polaroid. The society
 would be better off if the outcome were properly anticipated by the
 sovereign power auctioning the entitlement off to the highest bid-
 der. But as the legal economist David Haddock notes, "where new
 knowledge is at issue, finding appropriate solutions becomes more
 complex. In such situations, one cannot define an entitlement be-
 cause one cannot imagine what one has not imagined" (1986,
 789).

What is thrown into doubt by the American Question is a claim

to systematic, justified, cheaply acquired, write-downable knowledge about profitable opportunities. The "profit," note again, is to be broadly construed. A small group of mathematicians has been complaining since early in the century that certain much-discussed mathematical objects cannot actually be constructed, even in principle. The late Errett Bishop, a leader of these "constructivists," used the American Question. A real least upper bound is supposed to exist for *every* bounded sequence (such as the bound that the sequence .9, .99, .999, .9999, .99999, . . . has at 1.0; but for *every* bounded sequence, however strange). The notion is used routinely in un-constructive, "formalist" analysis (which is most of modern mathematics). Bishop pointed out, however, that the bound would require for its construction, were it ever attempted, a systematic, write-downable "method *M*," applicable to all such sequences, even strange ones. But anyone so smart as to come up with method *M* would be mathematically rich: "Of course," wrote Bishop, "such a method *M* does not exist, and nobody expects that one will ever be found. Such a method would solve most of the famous unsolved problems in mathematics" (1985, 7). Like the ability to forecast interest rates or manipulate elections, method *M* is a five-hundred-dollar-bill machine, intellectually speaking.

The force of the American Question depends on the sums involved. A tiny edge on average over the stock market can make such a seer wealthy beyond the dreams of avarice. The sums extend beyond the normal return to normal education or normal effort. No one would deny that normal knowledge is worth its hire. So is special knowledge, when you can get it. But the special knowledge that the stockbroker or the economist or the tipster claims is not in fact special. It is easy to acquire, and therefore has no protection from entry, and therefore can earn no special return. Being able to read racing forms or study *Barron's* with care or run statistical fits on corn prices does not make one especially smart. Therefore, except by luck, one cannot get especially rich.

The American Question mocks the claims of predictors, social engineers, and critics of the social arts. The predictor who could get it usefully right would be a god incarnate, a diviner.

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The reason is not that humans are too complicated or too
changeable or too free. The humanistic criticisms of social science
may be true but they are not telling; they are easy to make and easy
to answer. The scientist answers, "Give us the money and we will
finish the job." If humans are "ultimately" free considered as indi-
viduals, they still can be predicted on average and in the mass. And
if human masses are complex they still can be predicted with an-
other million dollars and another model. So long as humans are to
be viewed as molecules bouncing against each other the problem is
merely to get the mathematics right. It is said that predicting
human beings is bound to be more complicated than predicting
planets or pigeons, but that is not true. It depends on what you are
trying to predict. The daily temperature variation of a human is
easier to predict than the twitching of the sixty-seventh feather
from the pigeon's tail. It is a matter of how ambitious the predic-
tion is. The "simple" problem of space flight, "merely" an applica-
tion of Newton's laws, requires days of computation at high speed
if the ambition is to put a rocket precisely *there* on Mars. For a
given ambition the complexity is only a matter of computer time.

The American Question puts more fundamental limits on what
we humans can say about ourselves. It puts a limit on mechanical
models of human behavior. It does not make the mechanical mod-
els useless for interesting history or routine prediction; it just
makes them useless for gaining an edge about the future. If people
were as predictable as naive behaviorism alleges, for instance, the
psychologists would be rich and the personnel managers all-
powerful. The field of industrial and managerial psychology was
erected in the 1930s on just such a putative Secret, but led to
miracles only on 34th Street (Waring, forthcoming). To recur to
economics, the various "solutions" of bargaining problems have
this flaw: that if the economist knew the solution, then so would
the players, which would make the solution valueless. The com-
puter that could predict the next move of a competitor would sell
for a lot of money. If computers are cheap, no one can get rich by
using them to outsmart others.

Likewise there are limits on the teachability of skills. It is para-

doxical to claim that a Ph.D. qualifies one to teach "entrepreneurship," or even "excellence." The present content of the American business school, with its burden of mechanical technique, undervalues the stories and moralities that make a business culture. In pure form the successful person of business is either a lucky fool or a godlike genius. It is hard to tell the difference. I have a friend who is a businessman with spectacular recent successes, earning enormous amounts for his company, a big one. Not being a fool in any sense he looks with foreboding on what will happen to his reputation for genius when the coin turns up tails, as with 50-50 probability it will. Perhaps he understates his genius, for there is a genius about the entrepreneur, by which the pursuit of his own interest promotes a good social end which was no part of his intention.

It can be argued that capitalism depends for its progressiveness on such geniuses. It is observationally equivalent to say that it depends on large numbers of fools, mucking about in garages and board rooms, some of whom will be lucky (Nye 1989). A colleague in the English Department at the University of Iowa, Donald Marshall, put it this way in a note to me: "what motivates economic activity is the delusion that we can guess the future, and expertise is deployed, unbeknownst to itself, to protect us from discovering that in fact we can't do so, a discovery that would lead us to despair and paralysis. The joke is that . . . capitalism's advantage is that it maximizes the number of people who have this delusion." The clerkly treason against capitalism is contemptible, since capitalism supports the clerks. Yet there are enough rich and lucky fools to give point to the clerk's report: If you're so rich why aren't you smart?

Take publishing. Experts cannot use routine methods to improve on the tacit knowledge of a publisher. This is not an excuse for a publisher to ignore formal methods such as computerized inventory systems. It says merely that formal methods will not earn abnormally high profits for long. The formality makes them easy to copy. Going to business school is not a way to acquire immense

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 Ph.D. qualifies one to teach "entrepreneurial intelligence." The present content of the American is its burden of mechanical technique, un-moralities that make a business culture. A person of business is either a lucky fool or hard to tell the difference. I have a friend with spectacular recent successes, earning a big company, a big one. Not being a fool in foreboding on what will happen to his reputation the coin turns up tails, as with 50-50 odds he understates his genius, for there is a danger, by which the pursuit of his own individual social end which was no part of his

capitalism depends for its progressiveness observationally equivalent to say that it depends on fools, mucking about in garages and whom will be lucky (Nye 1989). A colleague in the Department at the University of Iowa, in this way in a note to me: "what motivates the delusion that we can guess the future, and unbeknownst to itself, to protect us from what we can't do so, a discovery that would lead to crisis. The joke is that . . . capitalism's advantage is the number of people who have this reason against capitalism is contemptible, as the clerks. Yet there are enough rich and to the clerk's report: If you're so rich why

experts cannot use routine methods to imitate the edge of a publisher. This is not an excuse for formal methods such as computerized imitations merely that formal methods will not earn money for long. The formality makes them easy to teach. A school is not a way to acquire immense

wealth, because it is too easy to get in. The \$500 bills get snapped up. The tacit and informal character of what is left for human decisions is why the publishers get paid for taking the blame. No artificial intelligence could have predicted the success of Hofstadter's *Gödel, Escher, Bach*; no central planner that of *Animal Farm*. In fact the publishers themselves did not predict it. Entrepreneurs seek and sometimes find, given proper license to stumble. One of the many American publishers who turned down *Animal Farm* explained that they weren't doing animal stories that year.

The humanities cannot be taught by machine, either. Gary Walton, an economist and former dean of a business school, has written a book called *Beyond Winning* about "philosopher coaches," such as Woody Hayes in football or John Wooden in basketball. He is aware that if coaching could be learned from a book the woods would be full of Woodys and Woodens. If coaching were mechanical in its effects on the athletes then East Germany would never lose an Olympic contest. The ability to teach exceptional performance is itself an exceptional performance. What can be said about the athletic case is what can be said about the scholarly case: that a great coach or a great scholar teaches not by instructing the students in a bookable technique but by exhibiting a way of life, which not all can follow.

The limit on calculability and sayability applies to language and rhetoric itself. If anyone could get what they wished by shouting, for example, then everyone would shout, as at a cocktail party, arriving by the end hoarse but without having gotten what they wished. H. P. Grice affixed an economic tag to the trumping of speech conventions, "exploitation." As Stephen Levinson put the point in his book *Pragmatics*,

There is a fundamental way in which a full account of the communicative power of language can never be reduced to a set of conventions for the use of language. The reason is that wherever some convention or expectation about the use of language arises, there will also therewith arise the possibility of the non-conventional *exploitation* of that convention or

expectation. It follows that a purely conventional or rule-based account of natural language usage can never be complete (1983, 112; italics added)

A rhetorical analysis has this limit, that it can tell wisely and well how a speech has gone in the past, but cannot be expected to provide The World's Greatest Secret for the future. It can show how Cicero in *Pro Archia* exploited tricolon, how Descartes exploited rhetoric to attack rhetoric itself, or how Jane Austen in *Northanger Abbey* exploited an irony that was always intended, covert, finite, and stable. But rhetoric cannot be finished and formulaic, or else anyone could be a Cicero, Descartes, or Austen. The chimera of a once-finished formula for language must be left to Fregean philosophy or to magic.

In the opening lines of *Faust*, before the Doctor has turned in vexation to magic, he laments that "I see that we can know nothing! / It nearly breaks my heart." He immediately amends this sweeping skepticism, for the American Question does not imply literally that we can know nothing but merely, as he then complains on behalf of his fellow men, that he can know nothing to *better Mankind*, as he puts it. On further reflection he comes to the nub: his studies, damn them, have taught him nothing that betters *Herr Dr. Faust*, this very example of Mankind. "And I have neither property nor money, / Nor honor and glory in the world: / No dog should go on living so." There lies the tragedy, at the impossibility of predictions profitable to Faust himself. He seeks The World's Greatest Secret for personal profit; which in due course he obtains, though not for free on the sidewalk, and then gets his fill of property and money.

Lacking the Devil's bargain, science cannot predict itself. The paradox shows up in economics because economics so plainly must apply to itself, if it's so smart. But the paradox applies to any foreknowledge of new knowledge. The impossibility of self-prediction has become a commonplace in philosophy. You do not know today what you will decide tomorrow, unless you have already decided it, in which case it is not tomorrow but today that you decide it.

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"Prescience" is an oxymoron, like cheap fortunes: pre-science, knowing before one knows. Prescience is required for central planning of science. The philosophers Karl Popper and Alasdair MacIntyre among others have pointed out that knowing the future of science requires knowing the science of the future. It is not to be done. MacIntyre notes that the unpredictability of mathematical innovation is a rigorous case, resting on theorems concerning the incompleteness of arithmetic and the incalculability of certain expressions, proven by Gödel and Church in the 1930s. And "if the future of mathematics is unpredictable, so is a great deal else" (MacIntyre 1981, 90). If someone claims to know what method or lack of method would yield good science, why isn't he scientifically rich?

The other arts are similarly constrained. Some critics in the eighteenth century believed they had methods for assuring excellence in drama or painting. Nowadays no one would claim to have a formulaic, bookable method for constructing excellent paintings, except as a postmodern joke. The method would solve painting, in the sense that tic-tac-toe has been solved. This is not to say that rules of perspective or color harmonies cannot be constructed and applied. They can, the way a poet can check for agreement with the meter she has chosen or a dancer can check his fifth position. It says only that there is at present no routine, book-readable method for achieving artistic riches. The unusually profitable opportunities have been picked up, leaving only the routine returns to routine ability.

Each bit of the accumulated routine was once someone's personal and profitable trick. The genius has more tricks than the rest of us, which become tomorrow's routines. The first Florentine businessman to use double-entry bookkeeping gained a control over his materials similar in value to the first Athenian sculptor to use the slouch of standing bodies. In this age of iron, however, no one earns \$500 from the mere idea of double entries or contraposto. And the point is that any present day is an age of iron, because gold is picked up as soon as it appears.

The distinction between routine predictions and startling and profitable divination is analogous to the distinction between routine cooking and the profitable Art of three-star cookery. In his peculiar little dialogue, the *Ion*, Plato/Socrates lampoons Ion the performing Artist who imagines he *knows* something. It is significant that to mock Ion's claim to knowledge Socrates uses the example of divining. Allan Bloom once remarked of the passage:

If divining is to be considered an art, it is strange in that it must profess to know the intentions of the gods; as an art, it would, in a sense, seem to presuppose that the free, elusive gods are shackled down by the bonds of intelligible necessity. Divining partakes of the rational dignity of the arts while supposing a world ruled by divine beings who are beyond the grasp of the arts. (1970, 57)

As Plato and the American Question would say, the claim of divining to be an art, Greek *techne*, mere bookable craft, is absurd.

Plato therefore wished to cage poetry, the god-possession that flatters men to think they know more than does the honest artisan, a technician in every sense. The followers of Plato down to the age of technique are enamored of knowledge as *techne*, a craft written down in books. They propose to cast books lacking such craft into the flames, as poetry and pretense, mere sophistry and illusion. The trouble is that their version of the fully rational life, the bookable final rules for language games, requires non-routine prediction. And in human affairs a prediction beyond what earns routine returns is impossible, except by entrepreneurs, idiot savants, *auteurs*, and other prodigies of tacit knowledge. The notion that bookable knowledge can guide the world through its difficult moments, like the notion that central planning can guide an economy, is self-contradictory. If the philosopher kings and central planners were so smart they would be rich.

As indeed they are, for a reason other than their ability to predict. They live in a world every hopeful that procedure, mechanism, calculation, bureaucracy, MBA degrees, and other social *techne* will keep us warm and safe. It will not, as the American

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Question reminds us so sharply, though the world is willing to pay
 for the illusion.

This is not to say that the project of getting knowledge about
 the economy or about poems and paintings is worthless. Inside the
 margin, as economists say, it is worthwhile. The world runs on little
 else. Everyone needs to know how to write with an alphabet,
 though it took a Phoenician genius to think it up and make his
 fortune. No one afterwards, though, can expect to make a fortune
 by knowing the ABCs.

An economist looking at the business world is like a critic look-
 ing at the art world. Economists and other human scientists can
 reflect intelligently on present conditions and can tell useful sto-
 ries about the past. These produce wisdom, which permits broad,
 conditional "predictions." Some are obvious; some require an
 economist; but none is a machine for achieving fame or riches.

The economist says: if a government puts a tax on property the
 people whose property is made more valuable by good schools
 will in fact pay for the schools. Or again: if voluntary restrictions
 on Japanese automobile imports are retained then the Japanese
 manufacturers will benefit by about \$1,000 per car and the Ameri-
 can auto buyers will pay about \$160,000 per year for each job
 saved in Detroit. Though useful as wisdom, and justifying the
 economist's role as critical theorist, neither of these predictions is
 bankable.

The argument is merely that at the margin, where supernormal
 profits and reputations for genius are being made, the observer's
 knowledge is not the same as the doer's, the critic is no improve-
 ment as artist over the artist, the model of the future is no
 substitute for the entrepreneur's god-possessioned hunch. The critics
 become ridiculous only when they confuse speaking well about
 the past with doing well in the future. Critics of art and literature
 stopped being ridiculous this way a long time ago. It would be
 good if critics of society would join them in their modest sophisti-
 cation.

To become an effective manager or college dean the consistent modernist must unlearn his modernism—the notion that Procedure will tell all. If it were easy to organize “correctly,” then people would do it, which is what is wrong with the journalistic notion that it is easy for business to choose the Swedish Way or the Japanese Way or whatever Way is currently on their minds. The hubris of social engineering is the same as the hubris of facile social criticism. ||

No one is justly subject to the American Question who retains a proper modesty about what observation and recording and storytelling can do. We can observe the history of economies or the history of painting, and in retrospect tell a story about how security of commercial property or the analysis of vanishing points made for good things. An expert such as an economist is an expert on the past, and about the future that can be known without divine and profitable possession. Human scientists and critics of human arts, in other words, write history, not prophecy. ||*

*H*arry Truman had it about right. The expert as expert, a bookish sort consulting what is already known, cannot by his nature learn anything new, because then he wouldn't be an expert. He would be an entrepreneur, a statesman, or an Artist with a capital A. The expert critic can make these non-expert entrepreneurs more wise, perhaps, by telling them about the past. But he must settle for low wages. Smartness of the expert's sort cannot proceed to riches.

Economics teaches this. What it teaches is the limit on social engineering. It teaches that we can be wise and good but not foresighted in detail. Economics has something to teach the humanities, if they happen to think they know the future of art. It has a lot to teach experts, if they believe in magic. ||