Robert Lekachman: The Irreverent Economist
Author(s): Ron Chernow
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Robert Lekachman
The Irreverent Economist

by Ron Chernow

Let's hear what a famous economist has to say about his fellow practitioners:

"Ignorance of the real world is more than bliss: It is very nearly a prerequisite to a successful career in conventional economics."

"Of most books written by economists, it can be said that the world would have been no different if their authors had refrained from swelling the copyright tide."

"It is a tribute to the intelligent realism of most students that few of them take more than a single introductory course in economics."

"In recent times economists have been so seldom correct that the suspicion is abroad in the land that something must be seriously awry with economics itself. I share the popular suspicion."

For Robert Lekachman, Distinguished Professor of Economics at the City University of New York, economics has served the same function as blowsy mothers for Jewish novelists or foul-mouthed brats for W.C. Fields: It has been a constant source of anguished amusement. Lekachman may be one of the few wags ever spawned by his profession. His five books—*Economists at Bay, The Age of Keynes, History of Economic Ideas, Varieties of Economics: Documents, Examples and Manifestos*, and *Inflation: The Permanent Problem of Boom and Bust*—are peppered with wit at the expense of his colleagues.

His latest book, *Economists at Bay*, essentially says that economists, in their romance with free markets, have taken leave of their senses. Still, this irreverent work has a touching dedication: "For David Ricardo Lekachman and Samuel Bailey Lekachman." A reader might deduce from this inscription that Lekachman has proudly named his sons after a pair of nineteenth-century economists. In fact, the childless Lekachman has dedicated the book to his two cats, who squabble in the manner of the famous Ricardo and his critic, Samuel Bailey.

RON CHERNOW is a contributing editor of Mother Jones and a free-lance writer whose work has appeared in the New York Times, New York Magazine, Smithsonian, Quest 78, and other national publications.

Dennis Hermanson

Economists at Bay came studded with encomiums. "If you miss Lekachman, you miss reading an amused, amusing, and very perceptive economist of great good sense," John Kenneth Galbraith warned on the dust jacket. And Robert Heilbroner bluntly stated, "It is the single best book in economics I have read this year."

In person Lekachman confirms the dominant impression of the book: He is a born performer, an incorrigible ham. His black glasses cover an aquiline nose and a balding head. (During his boyhood in an anti-Semitic neighborhood on Long Island, he was dubbed "Eagle Beak" by his charming playmates. "My good friends only called me 'Eagle,' " explains Lekachman.) In his slow nasal voice Lekachman delivers polished paragraphs that are wickedly sprinkled with jokes. He relishes wit and is not above joining in the uproar created by his own humor. Sometimes he says outrageous things with a straight face; other times he explodes in high-pitched mirth. He could be the protagonist of a Nabokov novel. Only Lekachman, asked how an ambitious graduate student might ingratiate himself with his professor, could say dryly, "He should do his best to impress him, licking each buttock alternately or, according to his preference, both at the same time."

For Lekachman, modern economics is a form of mass lunacy, if a sublime one. He places his contemporaries approximately on a par with medieval alchemists or Ptolemaic astronomers. When he peers out the window, he doesn't see millions of atomized business units, engaging in free competition, advancing their own and the general welfare. Rather he sees a Hobbesian struggle, with capitalists conspiring in cartels, workers massing into unions, and even doctors and lawyers colluding through trade associations to keep their fees artificially high. Adam Smith's "invisible hand" is truly invisible to Lekachman.

"Look at any introductory economics book," he says, sarcasm quavering in his voice. "You'll find that there are various uncomfortable qualifications about monopoly and oligopoly and cartels and other unorthodox arrangements. But the thrust of the analysis is toward the explanation of how competitive markets allocate resources and incomes. Hundreds of pages for the main thrust, dozens of pages for the qualifications." He sticks his tongue in his cheek. "Still true in the major books."

One terms Lekachman an economist with trepidation. His numerous books and infinite magazine articles aren't crowded with charts, graphs, tables, and the other paraphernalia of professional respectability. Rather, his tomes are composed with a neoclassical wit and elegance that betray his early desire to be a writer. (On why he chose economics, Lekachman says, "Cowardice, clearly. When I got out of the Army, I was 26—too young to retire. I had to do something. So I went to graduate school.") As modern economics has become increasingly abstruse, Lekachman has served as a guru for those who believe economics a matter of values and issues, not merely statistical gymnastics. He has restored a tradition that synthesizes economic and social analysis. His spiritual progenitors would be economists of the Karl Marx-John Stuart Mill stamp, rather than mathematical acrobats and trapeze artists like Milton Friedman or Paul Samuelson.

Lekachman is definitely a maverick. Where many of his *confrères* worship free market mechanisms, Lekachman is a self-confessed socialist. "I've been drifting steadily to the Left," he admits. Along with people like Michael Harrington and Irving Howe, he is an active member of the fledgling Democratic Socialist Organizing Committee, which is seeking to move the Democratic Party in a leftward direction. The progression from ultra-liberal Keynesian to democratic socialist mirrors that of another eminent economist—John Kenneth Galbraith.

On a gray November afternoon, Lekachman and I chatted about the state of American economics in his rent-controlled apartment on Manhattan's Upper West Side. Lekachman admitted that he deplores the inequity of rent control, but cheerfully conceded himself ready to take full advantage of it. His French-style casements face upper Broadway, giving a glimpse of the Columbia quadrangle. Lekachman has haunted these parts for 40 years, first as a student at Columbia, where he started his dissertation on the printing business under Arthur Burns (later Eisenhower's chairman of the Council of Economic Advisors), whom he recalls as a "monster" and an "excellent teacher." He taught for a time at Barnard, then in 1965 became economics chairman at Stony Brook, a branch of the State University. This was a mistake.

"I had illusions," he sighed. "It looked as if there were a chance to build an economics department which would be kind of eclectic. I gave that a whirl for three years and discovered that I was one of the world's worst judges of human personality." He looked as if he were about to burst out laughing. "I hired some real creeps."

After a fellowship stint at Harvard, Lekachman put in a return performance at Stony Brook. Then in 1973 he was offered a post at Lehman College, the Bronx outpost of the City University. Bored with Stony Brook and a strong believer in public higher education, Lekachman jumped at the chance. "I accepted it so quickly that they nearly took it back."

Lekachman hasn't been especially active in faculty affairs at Lehman. The terms of his appointment as Distinguished Professor preclude duties like the department chairmanship. But he has served as a representative on the 19-member City University Senate. And when free tuition was still a fading possibility a few years back, his polemic in favor of retaining it appeared on the Op Ed page of the *New York Times*. He still argues periodically in print for a reversal of the tuition decision.

If Lekachman has any single gift, it is measuring the gulf between economic theory and the evolution of what he calls "late capitalism." As a Columbia freshman in 1939, he noted that his economic textbook kept a discreet silence on the subject of unemployment—this in the wake of an economic collapse that had idled a quarter of the work force. As he recounts the story in *The Age of Keynes* (1966), Garver and Hansen's then popular primer, *Principles of Economics*, deemed joblessness worthy of only about 10 pages. Ironically, Lekachman's reflections on the academic follies of the Depression prefigured his strictures on the economic establishment of the 1970s in *Economists at Bay*. During both periods, Lekachman claims, economists ignored things that flew in the face of their theories or else turned into apologists for the system's failures.

Though he has never been a government bureaucrat, Lekachman might have been spirited off to Washington if Fred Harris had gotten elected President in 1976. Lekachman was Harris's ghost-writer and wrote his basic income redistribution speech. He favored Harris over the other Democrats in the field because, in his works, "Harris was the only candidate genuinely in favor of diminishing corporate power."

As storm clouds loomed over the Columbia campus beyond his window, Lekachman speculated on the gloomy state of the world economy. His dusky parlor was full of cozy old furniture. The walls were crammed with books: Lekachman and his lawyer wife have apparently kept every book purchased since adolescence. Half his face was illuminated by the lamp beside his wingbacked armchair. He noted how little the circumambient chaos squared with the neat charts of the economists.

"I think that what's happening now is that the shape of the domestic and world economy has shifted so significantly that Adam Smith and Keynes simply do not explain it." No one has ever accused Lekachman of being a particular fan of Adam Smith. But he did lionize Keynes in his study of the Cambridge economist. That book had begun life as a lengthy essay for the British periodical *Encounter*. In a private letter to Lekachman, Walter Lippmann, a former friend of the English economist, praised it as the best piece he'd ever read on Keynes.

Noting that phenomena inconsistent with classical theory are now legion, Lekachman rattled off some of the new creatures not found in standard economic bestiaries. "Take multinationals, for example, which are able to treat the whole world as a single market-place and over which no national government really has very much control. An increasing segment of economic activity is international in scope. Economists don't know how to handle the change in terms of trade between the advanced countries and the oil-producing countries. The classic theory of international trade is ludicrous in a world in which much trade is done by state trading organizations. The world economy is in the same turmoil today as it was after 1929. And received theory really doesn't know what the hell to do with it."

The watershed book of the Lekachman *oeuvre* is his wafer-thin 1973 volume, *Inflation: The Permanent Problem of Boom and Bust*. Here the Keynesian intoxication yielded to a deep hangover of doubt. Lekachman now saw the 1961-65 prosperity for what it was, "a happy interlude" in which liberal economists briefly tamed the bulls of unemployment and inflation. Yet the Keynesian remedies were finally found wanting, in Lekachman's view, because they presupposed a free market. Lower aggregate demand couldn't dampen inflation when monopolies rigged prices. (General Motors jacked up prices in the midst of the severe 1974-75 slump.) Wages wouldn't fall amid high unemployment when workers were safe-guarded by unions. And the Federal Reserve became a paper tiger when multinationals could borrow abroad if domestic interest rates didn't suit their fancy. In short, the seventies had given the lie to the economists' cherished Phillips Curve, which says that high unemployment is a speedy cure for inflation.

In his inflation study, Lekachman sketched out four possible solutions. Government could go in for trust busting to lower prices; it could clamp on wage and price controls; or it could ignore the problem. He correctly identified the fourth plan as the one that would be favored by Nixon, Ford, and Carter: planned recession, with the Phillips Curve doing its long-term dirty work.

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"In my view, the reason we don't have full employment is not the standard list of excuses given by the establishment economists—too many women, young people, untrained blacks, and all this line of nonsense," said Lekachman. (The theme will sound familiar to readers of his influential *Harper's* article last year, "The Spectre of Full Employment.") "The real reason is that moderately high unemployment is functional for corporations, for the predominant political groups in our society. I don't say deep unemployment, because this begins to impinge on profits and markets. But 6 to 8 percent unemployment. If you read the business media, and I don't accuse you of this," says Lekachman with a mischievous sidelong grin, "but if you do, you'll notice an occasional sense of almost puzzlement, combined with great satisfaction, at the moderation of union settlements.

"Unemployment is handy, really." Lekachman sat back and folded his hands behind his head. "It cooled off the campuses: The kids are not running around frantically in the elite schools; they're trying to get into the best law schools and medical schools. In places like the City University of New York, where I teach, they're scrambling for accounting jobs and places in the lower-class business schools. In short, moderately high unemployment is a good idea from the standpoint of what the Russians call 'ruling circles.' "

When Lekachman invited me up to Lehman College to observe a pair of his economics lectures—one on Keynes, the other on the Family Assistance Plan proposed by Nixon—I grabbed at the chance. The sensation, I thought, would be similar to attending a mass celebrated by a priest who has secretly confided to you his love of the devil. How could he teach his students conventional economics without telling them he had lost the faith?

The Lehman campus stands opposite a reservoir that looked dark and drear on the snowy December morning that I traveled up to the Bronx. The former uptown campus of Hunter College, Lehman is a strange mélange of neo-Gothic and modern buildings that Lekachman describes as "third-rate Brutal" in style. At 9 in the morning, looking suitably professorial in his gray herringbone jacket, he fluttered about a brightly lit office filled with purple- and blue-upholstered swivel chairs. When a student popped his head into the office and asked for an extension on his term paper, Lekachman assumed a look of mock horror. "It'll be the first time in my experience, Kevin, that someone has handed in a late paper." Reassured, the student left; Lekachman howled with wild laughter. The bell rang for his first class. "I respond to bells like Pavlov's dogs," he said and ambled coolly down the corridor.

Lekachman seems devoid of snobbery or professorial airs: Students pounce on him in his office or the corridor for a casual chat. And though he admits that he misses the "intellectual playfulness" of Ivy League students, he believes that there are definite compensations.

"Each year I've been here, I've felt—maybe I'm kidding myself—that I found two or three students, bright kids who in several cases I think I helped to make up their minds between aiming high and aiming low," said Lekachman. He rambled on for a moment about the lack of self-confidence even among his superior students. "And each year there were two or three kids like that who needed support, really, about 'Can I cut it at Harvard Law School? Should I even apply? Or should I apply to St. John's or Brooklyn Law School?' "

In his introductory class, Lekachman delivered the term's climactic lecture on the Keynesian concept of aggregate demand. He talked glibly, without notes, his lecture an extension of his conversational style. The room was crowded with about 30 students, a sprinkling of blacks and Hispanics among them. First impression: Lekachman's irreverence relaxed the students, made economics seem less recondite, less forbidding. He demystified it of the claptrap. When one perplexed, gum-chewing girl asked what was meant by the marginal propensity to consume, Lekachman prefaced his answer with a quip. "This is a dignified subject," he said, "and we have dignified language to go with it."

The lecture turned to Say's Law, that antediluvian notion that the economy automatically moves toward a full employment equilibrium. Lekachman noted that in pre-Keynesian times, economists had always cautioned against government action to stem unemployment, arguing that prices and wages would naturally fall and restore a new momentum toward full employment. "It was easy to give instructions if you had a job, which the economists who gave these instructions usually did," said Lekachman, weighing a nib of chalk in his palm.

He noted that corollary of Say's Law which claimed that jobless people always chose their idleness. They were either too lazy to work or unwilling to take jobs at suitably slavish wages. The students, mostly from working-class families, instinctively shared Lekachman's incredulity that such ideas had been enshrined in economics texts.

"I can't understand that," piped up a young man with curly hair, a handlebar moustache, and a pronounced Bronx accent. "When was this guy Says born? I can't understand how he could overlook all this." The smirk on Lekachman's face revealed that the questioner had inadvertently played to one of his teacher's strong suits.

"Suppose you were a respectable economist teaching a class in economics in November 1929," he said, slipping out from behind the lectern for dramatic effect. "The stock market has crashed in October. You take it calmly, particularly if you don't have your life savings invested in common stock. Come 1930—things get worse. What do you teach?" The class is hushed, absorbed by this mystery.

"Well, you tell them what you know. You don't know anything except what you learned from *your* teachers in graduate school a few years earlier. In fact, you're going to teach this bad, bankrupt theory of how economies recover because you don't know any other. You have to teach something, after all, to justify the monthly paycheck. Of course, this is not to say that you don't feel uneasy about it...." And in an irony that was lost on the students, Lekachman, having intoned this *mea culpa*, went on to teach the present Keynesian orthodoxy that he now regards as bad and bankrupt and unable to cope with the present unemployment crisis.

Marx might seem an obvious choice for Lekachman's secret hero. But I suspect that Keynes, that radical savior of capitalism, is closer to the mark. The reason is probably as much temperamental as theoretical. Keynes was aristocratic, donnish, literate, and cultured—no narrow pedant—and this man-of-the-world quality has intrigued Lekachman. His socialism notwithstanding, he comes from a well-to-do printing family. Not only did Lekachman attend Columbia during the Depression, but his family had a full-time maid as well. Lekachman retains a patrician sense of business being a messy affair. After four years in the Pacific, "typing safely in the rear," Sergeant Lekachman decided to try his hand at the family business in 1946. It was a disastrous, short-lived experience. What didn't he like about it?

"The whole business, I suppose, of making money, of lying to customers," said Lekachman, not batting an eyelash. "Printers, of course, are famous for broken promises of delivery, of quality, and so on. Many a time I've heard my father or an uncle say to an indignant customer, 'It's on the truck' "—Lekachman squeals with delight—"at a time when it wasn't quite on the press. And it also struck me as boring, really. You have to like to make money."

Lekachman shares with Keynes an iconoclastic streak, a highly developed sense of the absurdities of economic dogma. Both men turned to satirizing their colleagues to open the way for fresh thinking. Lekachman's description of Keynes in *The Age of Keynes* fits the author himself in certain respects: "slightly anarchist in character, aristocratic in his preferences [Lekachman is very fussy about what brand of gin he drinks], rational in his outlook, ingenious in his remedies, friend of no orthodoxy, foe of human stupidity in every form."

But by his own admission, Lekachman has been far more keen and incisive in criticism than resourceful in elaborating workable alternatives in the manner of Keynes. He has, however, performed one task nearly as well: determining the human consequences of economic policy. A Lekachman analysis of any economic legislation always answers the vital questions: Who profits and loses from it? What will it do toward an equitable redistribution of income? How will it alter the disproportion between the luxury of private consumption and the poverty of government services?

When Lekachman lectured his intermediate class on the Family Assistance Plan, a negative income tax briefly supported by Nixon, he didn't start off with the mechanics of the proposal itself. Rather he began with the prejudices, the preconceptions, that the American electorate has brought to bear on the debate. This, ultimately, has shaped our welfare system far more than the computer printouts delivered by economists to Capitol Hill. Numbers are, after all, refracted through the lens of ideology.

"One of the standard problems of welfare in our society is the tension between doing something to prevent people from suffering extreme destitution and the sense that people on welfare are morally unworthy," Lekachman told the class. He made no bones about the fact that he thought the Scrooges had so far prevailed in welfare plans. "New York City is a relatively generous welfare jurisdiction. But it's no fun to be on welfare in New York. If you've ever visited a welfare center, you'll see that it's not the most enjoyable place in the whole world to spend your day."

Tacitly the class was invited to examine their own biases on the subject. They squirmed. "I guess I've had the same kind of knowledge as other people, who think that these welfare people loll around in the house," said one earnest young lady in a babushka. "Do they actually look for a job? Do they try?"

Lekachman briskly fielded the challenge. "The social science evidence all goes in the direction of suggesting that people on welfare have the same attitudes toward work as employed people," said Lekachman, conceding that the proof was sketchy. He was perched on a desk in the front of the classroom, jingling a mass of change in his pocket. "Now, this contradicts what every cab driver in New York City knows. Middle-aged cab drivers will tell you as many stories as you want to hear—maybe more than you want to hear—about the various cheaters they know. But as amateur sociologist, the cab driver lacks something of precision."

Lekachman seemed genuinely exhilarated by his two consecutive hours of teaching. As we returned to his office, he was still bubbling with anecdotes, insights, and jokes. While his forecasts tend toward the pessimistic—he is now predicting another sharp economic slide this year, with perhaps a little quaint neo-Fascism further down the road—his personality is always buoyant and cheerful. When I asked Lekachman about this contrast one day at a Chinese restaurant on Broadway ("Chinese food is the exotic food of Jews," said Lekachman), he confessed that his temperament was a "glandular" thing distant from his darker ideology. He was about to fly off to yet another full employment conference in Texas and was clearly persuaded that, politically speaking, it would be futile. But he seemed to look forward to the trip as an adventure.

As the years have passed, Lekachman has drifted further and further from the economics establishment. Much of what passes for important bores him. He told me, only half in jest I suspect, that he merely reads the social notes at the end of the *American Economics Review*—who has been promoted, who has passed away, etc. Though he still occasionally writes scholarly essays, he is much more likely to crop up in the *Saturday Review* or *The New Republic* than in any of the economics journals. Like Galbraith, he has despaired of converting his colleagues and has decided to carry his case directly to the general public.

He is much more likely to crop up in the Saturday Review or The New Republic than in any of the economics journals. Like Galbraith, he has despaired of converting his colleagues, and has decided to carry his case directly to the public.

I asked Lekachman if he had any regrets that he had bypassed the traditional channels in trying to reform the economics profession. "Well, there are times when I think if you disagree with your colleagues, it makes good sense to state the disagreement in professional forums. There was a period like that right after Keynes came out. There was enormous ferment among the economists and they were genuinely arguing among themselves. Then it makes sense to join the argument with your particular collection of notions. It doesn't make sense, however, when the profession is in one of its long periods of rigor mortis—which is where it is now."

One of Lekachman's enduring passions has been the history of economic thought. His first book was the still popular text, *A History of Economic Ideas* (1959). He realizes that great quantum jumps occur in economics—or any other discipline, for that matter —when inherited theory somehow can't explain the numerous anomalies in reality. He believes that we have arrived at such a moment, that we are ripe for a new paradigm that will succeed the free market model of Adam Smith, and the delicate tinkering of Keynes. In fact, says Lekachman, the theory may already be out there, waiting to be pressed into service by history.

"Hume's essays on economics contain many of the same ideas as *The Wealth of Nations*. Go back even to the seventeenth century and there's an obscure pamphleteer called Dudley North who was preaching a free trade, free market doctrine very similar to Smith. Nobody paid any attention. The time was wrong for the doctrine. Nobody paid much attention to the *Communist Manifesto* in 1848 when it came out. But when an activist like Lenin was available, Marx was drawn to new uses. So it's possible that lying around, unregarded, there is a new paradigm, much more explanatory than the current one."

Biting his spectacles and playing the clairvoyant for a moment, Lekachman conjectured that the new model would be one that incorporated a coherent theory of democratic planning. And it will become suddenly useful, he went on, because businessmen themselves will clamor for planning to save capitalism. They will come to see government not as their ideological enemy but as a secret and steadfast ally.

As we talked on, Lekachman gave me a sneak preview of his next book, which at this point exists only in his imagination but will explicitly advance this new model. It is provisionally titled *The Power to Choose* and will be the most overtly socialistic book he has yet written. It will be an assault on one of the most cherished beliefs of the Chicago School of free marketeers: that our consumer society has created a wondrous array of goods and services that expands the individual's freedom of choice. Lekachman believes this greatly overstates the case and tosses off a few examples of the constraints he sees in American society: "The limited choices of education and profession that our educational system imposes, the limited real choices of entertainment and culture that the organization of the arts in our society—and television—impose. And the minute choices available to small businessmen." Throw in the lack of democracy in the workplace and you have a rather substantial qualification to the Bill of Rights.

But in contrast to his previous books, Lekachman will grouse about these things and then point a way out of the thickets. He will embellish a plan for democratic planning that is participatory and not bureaucratic in spirit. And he will make yet another valiant plea for income redistribution.

Meanwhile, till the new economic messiah appears in the firmament, Lekachman plans to go on ribbing and needling and generally making life miserable for his more conservative colleagues. "I'm no hero, but I've got tenure," he laughed as he drew on his overcoat and picked up his olive-green book bag. "What can anybody do to me at this point? This is one of the virtues of tenure, I suppose. You can disgrace yourself in the eyes of the respectable members of your profession. And nothing fatal will occur." ■