

This combination *would* yield the obligation to maximize the egoistic (or nonegoistic) experience; in other words, an ethic would seem to follow. But two intervening steps are necessary in order to arrive at this conclusion (teleological ethical reasoning and a judgment of intrinsic value). Two additional steps are also required if a deontological ethic is to result: deontological reasoning and the judgment that self-concern is intrinsically right (or wrong). Put as simply as possible, a nonmoral evaluation of psychological egoism is not in itself a sufficient condition for its adoption or rejection as an ethic of either kind.

15. Frankena, *Ethics*, p. 22, identifies *both* of these as altruism, which is extremely misleading. For one thing, the term *altruism* has several evaluative connotations depending on one's point of view; and if this is intended to be the opposite of psychological egoism, it should be just as descriptive (*psychological* altruism perhaps). Also, of greater consequence, altruism implies a concern for others prior to the self or even *instead* of the self, which is not to be considered at all! This completely ignores the other alternative, that others and self be regarded the same—all other things being equal.

16. See Jerome Tuccille, *It Usually Begins with Ayn Rand* (New York: Stein & Day, 1972) for a highly informative and entertaining example.

## IDEOLOGY, ECONOMICS, AND KNOWLEDGE

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THE CONCEPT OF IDEOLOGY as developed by those of a Marxist philosophic persuasion and transformed by them and others into the sociology of knowledge has a long and, I believe, disreputable history. In the first four sections of this paper the main propositions and assumptions of this view as presented in the writings of recent major proponents will be critiqued. But since criticism is all too easy, and there are, after all, *some* observable phenomena at the root of the ready acceptance of such doctrines, in a final section intended to be constructive, a new alternative view will be presented.

### IDEOLOGIES AS CLASS PHENOMENA

*Ideology* is a loaded term. Depending on the person and the context, it may refer simply to a set of ideas or system of thought, in which case it is indistinguishable from "viewpoint" or "philosophy," or it may refer to "false consciousness" as Marx defined it. Martin Seliger and Hans Barth have adequately chronicled the origin of the pejorative sense with Napoleon and its development at the hands of such as Helvetius and Nietzsche. Marx's version has its theoretical roots in the dialectic.

Every science or pretender to science must be grounded at some point in constants. For Marx, however, the flux, the change in material reality, was primary. The only relevant constants he saw were the "laws" of the materialist dialectic that determines change in human history. The primary facts, as he saw them, were that men use tools to transform nature and that men's productive activities are social. In his view, the stronger appropriate the means of production and exploit the others by living off their surplus production, creating class divisions and conflict. This, along with changes in technology, results in history being characterized by successive modes of production and associated class systems.

Now the learning upon which technical change is based obviously involves going beyond, by some means, what has been previously

known, so Marx was never able to assert a completely material and technical determination of ideas. The best (or worst) he could do was assert a reciprocal interaction.

At each stage there is found a material result; a sum of productive forces, a historically created relation of individuals to nature and to one another, which is handed down to each generation from its predecessor; a mass of productive forces, different forms of capital, and new conditions, which, indeed, is modified by the new generation on the one hand, but also on the other prescribes for it its conditions of life and gives it a definite development, a special character. It shows that circumstances make men just as much as men make circumstances.<sup>1</sup>

Precluded, then, from direct material determination, Marx centered the theory of ideology as a theory of the origin of ideas in the social class structure supposedly unique to each successive "mode of production." He asserted that ideas, beliefs, and attitudes are social class phenomena, determined by class interests. Another crucial assumption was that the dominant class, controlling the means of production, acts to make its own ideology dominant in order to provide social cohesiveness and justify its position of dominance.

With certain modifications to be discussed later, these views have been carried on by Marx's followers. In a recent text, the Marxists Hunt and Sherman define ideology as "ideas and beliefs that tend to justify morally a society's social and economic relationships."<sup>2</sup> Like many Marxists before them, Hunt and Sherman proceed to provide evidence for this thesis by comparing the dominant beliefs with the institutions in Greek, Roman, feudal, and capitalist societies, in each case discovering that the ideas justified the institutions. Now, quite aside from the purely tautological nature of the fact that for institutions to exist many people must at least acquiesce to, if not agree with, them, the causal sequence assumed (but not, in the nature of things, proved) is symptomatic. Never do Hunt and Sherman stop to consider that the ideas might have preceded and determined the conditions or that, if such were the case, the same correlation might be observed.<sup>3</sup>

#### ECONOMICS AS RATIONALIZATION

One does not have to read long in the theory of ideology to find that, as a doctrine concerning not only the genesis but the validity of ideas, it is aimed almost entirely at neoclassical economics in

general and at any economist in particular whose views can in any way be interpreted as favoring the market economy. The assertion in its most blunt form seems to be that all such theories are rationalized to justify the "oppressive class system" of capitalist society and that neoclassical economics is the worst offender.

Marxism is a holdover from the classical system of Adam Smith and David Ricardo, and to a certain extent the emergence of such charges is inherent in the conflict of alternative paradigms. The Marginal Revolution was no exception. Classical economics focused on institutions and was macroeconomic in character. Its taxonomic breakdown of income flows into wages, profit, and rent was analogous, not only to the three categories of inputs into the production process, but to the three classes seen in the socio-economic structure; and the relative magnitudes of those flows was explained by that structure. Distribution of income between the classes, that is, was assumed to occur *prior* to pricing of the outputs on the market. Furthermore, the relative values of the goods were seen as objective consequences of the production process—a matter of relative labor inputs for Ricardo and Marx, or simply money costs expended for J.S. Mill.

The neoclassical view, which emerged in England, Vienna, and Lausanne independently in the 1870s, reversed virtually all of these assumptions. Individuals became the units of focus. Economic phenomena were explained in terms of universal and noninstitutional conditions. The most important of these was scarcity, seen as a disparity felt by the individual between the limited means available to him and the virtually unlimited ends they could satisfy, which required that he choose (that is, rank) the ends and apply the available means to the most important.

Reasoning on such *individual* scarcity resulted in two extremely important discoveries. The first, known as the law of diminishing marginal utility, was that as the supply of a homogeneous commodity increases, the value to the individual of each additional unit tends to decrease, *ceteris paribus*. Reading Jevons, this seems to be a physiological matter of continuous tendency towards satiation. With Menger it is a simple matter of the individual always applying the last available unit to the most important remaining unsatisfied use; hence, additional units are always being applied to progressively less important uses, *ceteris paribus*.

The second discovery, known as the equimarginal principle, was that if an individual is using some scarce resource such as time or

money to acquire various goods, each of which has diminishing marginal utility, his total gain will be maximized by the allocation of the resource in which the ratios of marginal utility to price are the same for all of the goods. With the equimarginal principle, the "demand law," that the quantity of a good demanded increases as its relative price decreases, followed naturally.

The upward-sloping supply curve required to complete price determination, and an acceptable explanation of the imputation of the value of the commodity thus determined to the inputs used in its production, took somewhat longer. But the picture was completed by development of the technical law of diminishing marginal productivity, application of the equimarginal principle to the decision-making of the profit-maximizing firm, and derivation of input supplies on marginal terms. By thus explaining everything, including distribution, by reference to individual choices and maximizing behavior, the new view reduced even the institutional structure to a dependent status.

It is certain that such a major change in viewpoint could not take place without polemics, but there are bounds to the realm of legitimate discourse, and the Marxists frequently seem to overstep them. Ronald L. Meek, discussing the differences between the classical and neoclassical value theories (objective versus subjective) says:

There is surely little doubt that by and large the apologetic overtones of the marginal utility theory were much more important than the egalitarian ones. . . . it could also be used to support the notion that a system of free competition and exchange maximized satisfaction.<sup>4</sup>

One of the more blatant examples of the assertion that economists are simply hired guns of the capitalists (and a blatant insult to businessmen) is contained in Hunt and Sherman. After discussing the price of two goods in accord with their relative "labor embodiment," they begin a discussion of surplus value with this:

Now, suppose with prices of \$6 and \$2 prevailing, a sociological change takes place. The most cunning and unscrupulous member of society announces a new principle: private property in the means of production. He hires the strongest and most ruthless men as police to enforce the new laws of private property, and a group of clever academicians to devise theories designed to convince the public that these laws are natural and just. This man, then, becomes a capitalist.<sup>5</sup>

But this is hardly less blatant than the following, by a more respected economist:

The whole point of *utility* was to justify *Laissez faire*. Everyone must be free to spend his income as he likes, and he will gain the greatest benefit when he equalizes the *marginal utility* of a shilling spent on each kind of good. . . .<sup>6</sup>

To be sure, neoclassical economists are not the only targets of such statements. Maurice Dobb asserts that Smith's *Wealth of Nations* was "shaped and moulded by his preoccupation with Mercantilist policies," that Ricardo's monetary theory was "formulated during the bullion controversy and used to oppose the bank of England," and that

writers like Senior and Mountifort Longfield. . . were evidently (and Longfield quite explicitly) preoccupied with the perverse claims of trade unions and with affording some justification for profit in answer to incipient socialist criticism.<sup>7</sup>

There is no doubt that these writers were concerned with political questions. In each case, however, Dobb implies that the writer *rationalized* his economics to justify political views *already* adopted, and that is *not* obvious.

Now if an *ad hominem* argument is defined as involving insult to the character, intellectual integrity, or motives of one's opponents, then these are almost textbook examples, and their authors ill deserve the honored title of scholars. That the nature of such arguments has bothered even those using them is indicated by a later statement by Meek: "It has taken us all a very long time to realize that we do not get very far by merely pinning derogatory labels on our opponent's work, and that the real proof of puddings of this sort must always be in the eating."<sup>8</sup> The pudding that Meek is referring to is marginal analysis, and the eating is the wholesale adoption of it by Marxist economists in retreat from Ludwig von Mises and F. A. Hayek in the 1930s.

#### THE DETERMINATION OF IDEAS

Blatant insults tend to be responded to in a similar manner, and such discussions rapidly deteriorate. It was with a stated desire to remove the discussion of the origin of ideas from this "unhealthy atmosphere" that Werner Stark distinguished, more clearly than Marx or Mannheim ever had, between interest determination (ideology) and social determination (the sociology of knowledge).<sup>9</sup>

Stark bases his theory somewhat on the Kantian theory that the order which human reason makes of the world is given by an *a priori* categorical structure of the human mind. But where Kant had reference to the relation between the mind and the physical world, Stark asserts that a similar relation exists in our understanding of things social, that there is an underlying axiology (set of assumptions and values) which determines *a priori* the relation we see between social facts. Stark assumes this axiology to be the value system of the society in which the individual lives.<sup>10</sup>

Stark seems to be quite sincere in his desire to avoid polemics, and fair in his approach. He is not the only student of the genesis of ideas, however, who has felt the need to shift the analysis from class to social determination, and almost all exponents of the ideology theory are in fact now operating in the wider confines of the sociology of knowledge. For most of these authors, some form of determinism is a necessary component of the theory. Such charges as those quoted in the last section can only be claimed by their authors *not* to be *ad hominem*s by asserting that they are mere examples of an unconscious conditioning to which everyone is subject.

The problem is, mere economic class conditioning, as a theory, will not do. We will never see a linear regression run on class background and beliefs; and, if we did, it would not yield a high R-square, and everyone knows it. It is true that Ricardo was a stock broker, but neither Marx nor Engels had working-class backgrounds either, and the number of millionaire socialists in the world is something of a scandal. An even worse scandal is the number of intellectuals of bourgeois background who hold prominent positions in the "proletarian" movement, which fact, as Seliger notes, Marx could not square with his "social epistemology."<sup>11</sup>

This is not to deny observable similarities in attitudes within social groups loosely defined, as well as differences between such groups, or even a certain intergenerational continuity. But the mobility in ideas is easily as large as the existing socioeconomic mobility, and an alternative explanation for the observations could easily be summed up (though I hope to do better later) in terms of the ancient statement that "birds of a feather flock together."<sup>12</sup> With the shift from class to social determination, however, all anomalies disappear, and something can always be found in anyone's social background to explain whatever he believes.

With Dobb, this approach takes the form of an assertion that thinking is shaped by the problems that arise from a particular social context. He does admit that the problems themselves may result from thought-inspired action in response to an existing situation; but since new ideas are always critiques of old ones, they are shaped by that antithetical relation and, to the extent that they relate to potential activity, must be affected by the individual's social milieu.<sup>13</sup>

More specifically, Dobb insists that a situation must exist before a theory relating to it can emerge. He argues, for example, that no theory of money could precede the existence of a money economy. In the same vein, he argues that a theory of general equilibrium could not precede the widespread appearance of markets and that acceptance of the doctrine of deficient aggregate demand required the emergence of large-scale unemployment.<sup>14</sup> In this, Dobb seems to forget what he just said about the reciprocal interaction of ideas and situations and adopts an extreme chicken-precedes-egg view that invites the obvious response.

One would not like to deny a certain "spontaneous" character to the emergence of markets, but that simply means that many people, not a few, recognized the benefits to be obtained. And examples of successful, deliberate actions taken to create particular situations and institutions, based on *prior* theorizing, come easily to mind. It is true, for example, that the classical economists could theorize upon the prior example of the mercantilist removal of internal trade barriers in late medieval Europe, but their free trade theories *preceded* and produced the removal of international trade barriers in the 19th century. And the existence of the Federalist Essays certainly proves that theorizing about the operation of the American republic preceded the adoption of the Constitution.

As a matter of fact, Marxism has always contained an unadmitted doctrinal schizophrenia—determinism versus the requisites of revolutionary *action*—that early forced many Marxists to de-emphasize rigid determinism. Marx's successors were faced with the fact that the revolution did *not* occur spontaneously but had to be organized and motivated. But how were people to be convinced of the materialist view that institutions precede and determine ideas when proponents of that view were so obviously engaged in attempting to change *ideas* with the intent of *subsequently* changing institutions? And even if there were many to whom such an abstract contradiction would not occur, could a deterministic belief

motivate action? So Marx, who almost never used the term *ideology* in anything other than a pejorative sense, was succeeded by Kautsky and Lenin, who used it in a neutral, or even positive sense, at least where the consciousness of the proletariat was concerned.<sup>15</sup> But Dobb, who is apparently more concerned with convincing intellectuals than with motivating masses, is more faithful to the master.

Neither Dobb nor anyone else is entirely unjustified in arguing that ideas arise within a particular context or situation, though the "context" must be interpreted broadly, since otherwise the interaction of ideas and situations muddies causal waters. Stark makes an argument similar to Dobb's sound more lucid and convincing. In Stark's view, we focus on and select those elements of knowledge we "love" or have interest in as determined by our *a priori* values.<sup>16</sup>

Stark, however, faces squarely the question of the objectivity of socially determined knowledge. In his view, the social *origin* of ideas from need at a particular time should not be confused with social *determination* of content. Values enter as motivating the *area* and *extent* of reason but not the result.<sup>17</sup> Needless to say, this is very weak determination.

Stark weakens it even further by making it clear that he is *not* claiming that ideas are mere "intramental effects of extramental causes" and that human thought cannot be degraded to the status of a mere epiphenomenon.<sup>18</sup> And with candor unequaled among sociologists of knowledge and ideology theorists, he admits that a society seldom has only one axiology and that complex societies, in particular, have several, leaving room for a great deal of individual choice.<sup>19</sup> But if, as seems obvious, the individual can choose the axiology that determines his area of study, the notion of "social determination" becomes virtually meaningless.

#### THE PARADOX OF DETERMINISM

An aspect of the ideology theory that seems as fundamental as its determinism is the relative character it imputes to "socially conditioned" mental constructs. If ideology is not *false* consciousness, as Marx intended it, one might as well use any of several more neutral synonyms.<sup>20</sup> If a demonstration that a set of ideas is ideological in origin does not impugn their cognitive validity, it seems to do almost nothing. Indeed, such critics as Dobb and Meek always speak as if a demonstration that neoclassical economics has a "causal story to tell," or has political implications of any sort,

were sufficient to render it a purely relative theory of no more than minor historical significance, easily rejected in favor of Marxism. Yet, for various reasons, pervasive relativism cannot be maintained.

Revolutionary Marxists long since discovered the necessity of admitting that ideologically conditioned beliefs may not be false, for the same tactical reasons that required the deemphasis of determinism. To quote Martin Seliger:

Belief in the possible adequacy of the subjective class consciousness of the workers must be confessed even at the price of bringing to the fore the asymmetry of the belief system. Otherwise appeals for organization for the sake of political education and action would be self defeating. Why should workers join hands if their beliefs are condemned to be false and their total liberation will occur anyway?<sup>21</sup>

Logically, even if it were conceded that beliefs are socially conditioned, it does not follow that they are therefore *false*. And empirically, most people go through life and manage to function very well, thank you; so, whatever the source of their beliefs, at least some of them must be true. Indeed, it is odd that the one sense in which it could here be admitted that reality conditions consciousness—that is, to the extent that our perceptions and the concepts based upon them are *accurate*—would have to be *rejected* if the relativist hypothesis were to be maintained.

Another problem is that, epistemologically, the process of identification involves contrast. Identifying anything involves contrasting it with and distinguishing it from that which it is *not*. To charge consciousness with being ideological in the "false consciousness" sense requires a prior distinction between true and false consciousness. As Barth says, "He who would deny the truth inherent in all cognitive statements betrays by his very denial that he possesses a criterion for distinguishing knowledge from ideology."<sup>22</sup> But if such criteria exist, even by implication, enormous circumlocutions are required in order to deny that one's opponents can have knowledge of them.

The failure to recognize such epistemological necessities has led to the most crucial single failure of the ideology theory and the sociology of knowledge. What Seliger calls "Mannheim's Paradox" (though he denies that Mannheim was guilty of it<sup>23</sup>) is to "assume that the unexceptional conditioning of our ideas precludes their objectivity while claiming objectivity for this knowledge and

the social analysis resting on it."<sup>24</sup> Or more simply, as Reinhard Bendix phrased it in his introduction to Barth's book:

... since the eighteenth century every set of ideas [about human life and culture] has been discredited as "visionary" or "false." In one way or another, men have come to think of ideas as weapons which serve the fulfillment of our desires or interests, rather than the discovery of truth... Ultimately each [advocate of this view] not only develops his views of "ideas as weapons," but reveals his beliefs that these views are true.<sup>25</sup>

So fundamental and powerful a fallacy is the Mannheim Paradox that all modern theorists in the field have been forced to admit the possibility of truth, though they usually relegate such admissions to obscure passages or footnotes. Dobb provides a good example of both methods. Discussing the meaning of ideology, he says:

Its central reference, undoubtedly, is to the historically-relative character of ideas, whether this be regarded as no more than an element or aspect of them or as characterizing them in their entirety. But such historical relativity may embrace both insight and partiality, and this from the very nature of the situation, in a way that defies any complete analytical separation...<sup>26</sup>

And, in a footnote on the same page, he quotes Oskar Lange, whose views are similar, as saying, "Ideological influences do not always lead to the apologetic degeneration of social science. Under certain conditions they may be a stimulus of true objective research."

Meek also expresses his reservations about relativism by quoting another author:

"The relativist", writes professor Macfie in an impressive passage, "would not agree that individual reasoning is so determined by feeling or prejudice or conditioning that it is quite incapable of ever rising above them, of ever being to some extent impartial, of ever realizing bias and allowing for it." This may or may not be true. But we have to act on the assumption that it is true if we are to act at all.<sup>27</sup>

Stark is by far the most open in his admission of the existence of truth. He points out that purely formal propositions have no problem of relativity, the multiplication tables (and by implication other formal mathematical propositions) always being valid.<sup>28</sup> He rejects formal propositions in economics, however.<sup>29</sup> At another point, Stark admits that nature is permanent and always confronts the individual with the same reality. He asserts, however, that this

merely makes it easier to gain nonrelativist knowledge in the natural sciences. The social scientist is not so fortunate, since he "looks at a moving picture from a running train."<sup>30</sup> But this denies any constant elements in human nature and societies, and Stark ends up specifically rejecting that notion. In his "synoptic doctrine of man," he specifically calls for a "philosophic anthropology" to study such common factors.<sup>31</sup>

#### SUMMARY OF CRITIQUE

At this point it may help to summarize the gains and losses. As an attack on the validity of neoclassical economics, or any other set of social propositions and theorems, the ideology theory cannot be taken seriously; the determinism and relativism lacking, such charges are simply *ad hominem*s. For the same reasons, such theories are lacking as an ideology in the sense of an explanation of the genesis of ideas. What is true in them reduces to the obvious fact that people, being unable to sense or experience times, places, or situations other than those in which they exist, spend most of their time thinking about and dealing with those times, places, and situations. Even this much can only be conceded grudgingly, since the imaginative, inferential nature of thought in fact allows the existence of such people as science fiction writers and historians who spend a *great deal* of time thinking about times, places, and situations other than those in which they live.

And yet there are ideologies and ideologues in the world, and if "conditioning" is too strong a word, there is observable conformity on the part of many people to various sets of attitudes that are more or less socioeconomically distinct. And if the number of observable exceptions is too large, and the internal contradictions too many and obvious to allow acceptance of the ideology theory, some better explanation of the observed phenomena must be made.

#### AN ONTOLOGICAL SOLUTION

The human mind is not simply a passive receptor, either of sensory information or of ideas as implied by the sociology of knowledge. It will be argued here that a better analogy for its operation is the theory of the firm that uses *inputs* to produce an output (or outputs), or rather, an integration of that theory with the theory of utility and that of input supply. The result is an

economic theory of cognition that is not so much epistemological as ontological.<sup>32</sup>

In the neoclassical theory of the firm, three categories of inputs are identified: land (raw materials), labor, and capital, which is a produced factor of production reducible to land and labor invested in the past. As the quantity of each is varied, past some particular ratio to the others, it is subject to diminishing marginal productivity, *ceteris paribus*. The firm purchases the inputs and sells the output. Net returns are maximized by adjusting input proportions until the ratio of the product of the marginal unit to its cost is the same for each category of input.

The rule is simply a variant of the equimarginal principle by which the "rational" individual maximizes utility. But the mind is treated as passively by neoclassicists as by Marxists. *Rationality* refers only to that application of means to ends and to a consistent preference ordering. This is not wrong, merely incomplete. It restricts rationality to a *state* and ignores reason as a *process*.<sup>33</sup> Choice is always treated as if the (unlimited) ends and (scarce) means were given. In fact, the means by which ends can be obtained must usually be discovered, and, except for the simplest cases, this always involves abstract reasoning.

There is, then, a scarcity and economization process that is prior to and more fundamental than that discussed in standard theory. The ultimate scarcity is of *knowledge* (and of time). Production theory needs to be integrated with utility theory because concepts are the output of a production process having three inputs: sensory information; nonsensory, or "social," information; and mental labor (reason, inference), all of which have diminishing returns and opportunity costs.<sup>34</sup>

Sensory information is equivalent to the "raw material" input in a physical production process. Social information consists of the ideas, beliefs, knowledge, practices, etc., available from the society in which the individual lives. Since it consists of *produced* factors of production, and since an investment of time and mental labor is required for its acquisition, the elements composing social information are the capital goods of thought. All three inputs are clearly both complementary to and (imperfectly) substitutable for each other.

The most important of the three for this analysis is mental labor. The crucial insight was that by Ayn Rand, that concepts, as contrasted with percepts (which are automatic integrations of sensa-

tions), are only formed volitionally; that is, it takes effort to reason.<sup>35</sup> Rand, however, failed either to notice or to state a corollary concept that seems important. If reason requires effort, the absence or relaxation of such effort is *mental leisure*.

Such leisure takes many forms. Its purest possible conscious form, where mental focus was completely absent, would involve a complete lack of inference and an awareness restricted to present perceptual discretions. Any activity would be of the purest stimulus-response sort, since, without inference, goal-directed activity is impossible. No normal individual ever approaches this state except in early childhood, but daydreaming, which Arthur Koestler points out is goal-oriented though directed by emotional gradients rather than a concrete target,<sup>36</sup> is indulged in to varying degrees, because people like it. States of "free association," in which the mind simply wanders, are not infrequent. Activities such as watching television, in which the mind becomes a more or less passive receptor, also fall into this category.

A certain amount of at least relative mental leisure may be absolutely necessary. Though states of "free association" can obviously be overindulged, some random observations and associations may add to the individual's knowledge. By definition, mental focus on particular problems involves exclusion of information considered irrelevant. But that means that information relevant to new situations or problems tabled in the past may be missed. The "absent-minded professor" is not a myth.

Rand has also pointed out that all productive activity has both a mental and physical aspect.<sup>37</sup> To the extent that they are separate, one must spend some time consciously directing the specifically physical activities, though whether this involves relative mental leisure depends on whether the activity is of a routine or a new type. Much of this is clarified below. The crucial point now is that people *value* mental leisure *and* the products of reason and that they are alternate uses of scarce time.

If a positively valued mental leisure is granted, and it is granted that the individual can rank the problems to be solved, then a marginal adjustment takes place. In Mengerian terms, the marginal utility of mental labor declines because it is applied to successively less important problems. *It will be undertaken only to the point that the subjectively conceived benefits to the solution of the marginal problem threaten to fall below the opportunity costs of mental leisure forgone.*

The "profit-maximizing" allocation of mental efforts between alternative problems could also be seen in orthodox terms as similar to that of a multiproduct firm allocating resources between alternative lines of production until the ratios of benefit to cost were the same in all uses. Seen either way, the solution to the optimum quantity, composition, and quality of knowledge is economic in the neoclassical, not the Marxist, sense. Only one other economist seems to have anticipated such a theory, and that is Herbert Simon, who recently remarked on the need for a theory that treated *attention* rather than information as the scarce resource.<sup>38</sup>

A number of possible objections may be dealt with here. First, it may seem that talk of allocating mental labor involves "thinking about thinking" and is circular. But all the theory says is that the first, most important, and frequently recurring use of reason is to determine the problems that need to be solved, their relative importance, estimated difficulty, and time requirements. The resulting time allocation will always be tenuous. In an ongoing world, new problems frequently arise and must be "worked in." Also, after work has begun, periodic reestimation of the difficulty of the current problem and the costs and benefits of continuing effort will be necessary, giving rise to the immediate option of continuing, shifting to another problem, or indulging in mental leisure.

Another possible objection is that the concepts of mental labor and leisure falsify the nature of thought, portraying people as computers, always in a "problem-solving mode" or a "ready mode."<sup>39</sup> But I have not said that an individual is always engaged in either strenuous reasoning or pure mental leisure. The conscious mind has a certain "normal" focus and conceptual content, just as the body has a certain normal muscular tension and energy availability. And just as that normal physical strength is the result of an equilibrium or "margin" chosen between physical exercise and relaxation, *ceteris paribus*, so the normal focus of the mind is the result of just such an equilibrium.

But just as there is always *some* level of physical effort requiring an act of *will* to initiate and sustain, so is there some such level of *inference*. In contrast, the term *mental leisure* may best be defined to refer to normal thinking as well as the purer states such as free association, daydreams, etc., with which it is interspersed.<sup>40</sup>

A third objection may be that the economic theory of cognition ignores the operation of the subconscious. In fact, much of its operation is clarified. It is certainly true that the mind could not

engage in conscious thought and economization in the absence of certain inherent capacities, some of which are economical in their own fashion. For example, almost every firm engaged in production finds it necessary to keep stocks of inputs and outputs so that rates of acquisition, production, and use, which vary as a result of unforeseeable external circumstances, can be smoothly adjusted. In the human mind, this function is performed by the memory, which stores both useful inputs and past outputs (which are now mental capital) for recall when needed.

Other outputs are stored even deeper or conditioned into reflexes. All sorts of skills, rules, procedures, etc., both physical and mental, are relegated to the subconscious as they are mastered, where without further reference they aid conscious processes. This relieves the conscious mind to focus on present efforts.<sup>41</sup> Even the more conscious automatization of certain behavior patterns into habits has this effect.<sup>42</sup>

The economic theory of cognition would seem to have little difficulty explaining the same phenomena explained by the sociology of knowledge and can explain many other things the latter theory cannot. The observed tendency for an individual raised in a distinct cultural group to internalize many of the beliefs, attitudes, and types of knowledge characteristic of that group can be explained by reference to those things as components of the social information, or mental capital, he finds available. The individual employs them because and to the extent that the costs of obtaining such capital goods from the group he is associated with are lower than the costs of obtaining others, of perhaps different type and quality, from other groups and because, however faulty they may be, the knowledge production process is more productive *with* than without such "capital."

This argument assimilates all that is true in the sociology of knowledge and ideology theory, though it is seen in a new light. But the economic theory, which recognizes more inputs in mental production, can explain the deviations from such social group norms—the mobility of ideas—by reference to different mental labor-leisure margins, different observations (both random and deliberate), and different compositional choices. It also recognizes that the nature of reason allows the individual to discover the defects, if any, in the capital available and to derive new knowledge. Indeed, even values themselves are not exempt from this process, since the individual can observe the difference between



the anticipated benefits to be derived from obtaining particular ends and the *ex ante* utility derived, and alter those values *if he so chooses*.

Recognizing the efficacy of the mental production process also allows explanation of many observed similarities in behavior and attitude as the result of people accurately collating the same observed facts. The proof is that this even happens across cultures. The Romans, in trying to devise laws suitable for all the disparate cultural and ethnic groups in their empire, found their task made easier by the fact that there were already similar proscriptions of many of the same acts in each of these groups. They concluded that "natural reason" established these laws among all nations, and thus the doctrine of *Jus Gentium* arose.

The economic theory is perfectly capable of recognizing and dealing with social pressure and conformity, although it needs no such assumption as that man is a "social organism." Such statements have usually gone unchallenged, though it is a matter of simple observation that there is a spectrum (distribution, rather, in the statistical sense) of social inclination, running from compulsive gregariousness to compulsive avoidance of people, with both extremes being clearly pathological. The economic theory assumes, as did John Locke and Adam Smith, that the prime reason most men associate in groups is that they see the benefits of doing so as exceeding the costs.

It is true that nearly everyone sees benefits not only to membership but to acceptance and status in a social group, which may require the adoption of certain practices a person does not really like. Also, the investment required to obtain even a fraction of existing social knowledge and the inherent capacity and mental labor-leisure margins of many individuals may preclude them from extending knowledge much in any area, much less in philosophy. It is an important insight that adoption of ready-made views and ideologies is a simple means of lowering the costs, in mental leisure forgone, of obtaining a world view. That is, *conformity and ideology are means of economizing on mental efforts*, as well as obtaining social acceptance. There are certain costs, of course. Blindly adopting the views of others means making their mistakes and forgoing the attainment possible from more independent thought.

If instances of expressed conformity or independence in thought or action can be seen as units of essentially homogeneous categories, then both are likely subject to diminishing marginal

utility, *ceteris paribus*, and an equilibrium defining one aspect of character can be found. Even an extreme individualist will find some points of disagreement with common beliefs and practices which are so minor as not to be worth acceptance forgone by not conforming. Likewise, he who values acceptance the highest and dislikes reason the most will yet find blind following burdensome at some point. Though it will vary with the extent of external pressure, the point at which the utility of conformity threatens to fall below the opportunity cost of independent thought forgone is clearly a matter of subjective valuation.

Different individuals will make such decisions differently, and there will always be a spectrum or distribution in degree of acceptance of the norms of a subgroup or a culture. The variances (second moments) of such distributions will differ with the nature of the norms and the extent of social pressure, but there will always be a distribution, and that fact will always enter as a datum in the formation of any individual's values. Even the most static and tradition-bound cultures will have those both willing and daring enough to think for themselves.

In summary, it is odd that the Marxists, who stress the prime importance of labor in physical production, completely ignore it in mental production. By expanding and clarifying the list of inputs in mental production, and by recognizing the *volitional* and *inferential* nature of reason, the economic theory can explain not only the acceptance but the *origin* of ideas, including those that become group norms. No alternative theory that implies that everyone is a follower and no one a *leader*, that everyone is an imitator and no one a *creator*, and that everything is false and nothing true except that idea, is or can be adequate.

1. Karl Marx, *The German Ideology* (New York: International Publishers, 1947), p. 29.

2. E. K. Hunt and Howard J. Sherman, *Economics: An Introduction to Traditional and Radical Views*, 2nd ed. (New York: Harper and Row, 1975), p. 4. Note that this definition neatly excludes Marxists, in their role as critics of capitalism, from being ideological.

3. There is an even more subtle fallacy here. The very process of logic used implies that it is possible to observe historical correlations and draw accurate conclusions. But if people can do this, of what significance is class or society in determining beliefs?

4. Ronald L. Meek, "Economics and Ideology," in *Economics and Ideology and Other Essays* (London: Chapman and Hall, 1967), pp. 208-9.
5. Hunt and Sherman, *Economics*, p. 230.
6. Joan Robinson, *Economic Philosophy* (London: Watts, 1962), pp. 52-53.
7. Maurice Dobb, *Theories of Value and Distribution Since Adam Smith* (London: Cambridge University Press, 1973), p. 23.
8. Ronald L. Meek, "Marxism and Marginalism," in *The Marginal Revolution in Economics*, ed. R. D. C. Black et al. (Durham, N.C.: Duke University Press, 1973), p. 236.
9. Werner Stark, *The Sociology of Knowledge* (Illinois: Free Press, 1958), pp. 99-104.
10. *Ibid.*, pp. 107-8.
11. Martin Seliger, *The Marxist Conception of Ideology* (London: Cambridge University Press, 1977), p. 55.
12. Plato attested to the ancientness of this statement in his day in *The Republic*.
13. Dobb, *Value and Distribution*, pp. 16-18.
14. *Ibid.*, pp. 20-21.
15. Seliger, *Marxist Conception of Ideology*, pp. 81-103.
16. Stark, *Sociology of Knowledge*, p. 112.
17. *Ibid.*, p. 126.
18. *Ibid.*, p. 140.
19. *Ibid.*, p. 143.
20. It is symptomatic that Dobb and Meek, et al., scrupulously avoid the use of such neutral synonyms.
21. Seliger, *Marxist Conception of Ideology*, p. 71.
22. Hans Barth, *Truth and Ideology* (Berkeley and Los Angeles: University of California Press, 1976), p. 48.
23. Seliger is here more charitable than necessary. Mannheim's "out" involved (1) admitting the relativity of his own ideas and (2) asserting that intellectuals such as he, being insulated from the economic process, were ideology-free. Neither of these assertions can be taken seriously. Admitting the relativity of the relative theory of truth involves complete contradiction, and (2) is simply a means of impugning the objectivity of others while asserting his own.
24. Seliger, *Marxist Conception of Ideology*, p. 21.
25. Barth, *Truth and Ideology*, p. viii.
26. Dobb, *Value and Distribution*, p. 1.
27. Meek, *Economics and Ideology*, p. 224.
28. Stark, *Sociology of Knowledge*, p. 167.
29. *Ibid.*, p. 183.
30. *Ibid.*, p. 179.
31. *Ibid.*, pp. 196-210.
32. A somewhat different development of this model is contained in my essay "Rationality and the Economics of Cognition," *Economic Forum* (formerly *Intermountain Economic Review*) 10, no. 1 (Summer 1979).
33. This is a direct result of the unfortunate dominance of the Walrasian rather than the Austrian strain in neoclassical economics. In the general equilibrium, where all decisions are repeated endlessly, thought is unnecessary and meaningless.
34. In "Rationality and the Economics of Cognition" I listed only two inputs, information and mental labor. I now believe the distinction made here to be crucial.
35. Ayn Rand, *Atlas Shrugged* (New York: New American Library, 1957), pp. 939-40. For a description of the process of concept formation, see her *Introduction to Objectivist Epistemology* (New York: The Objectivist, 1966).

36. Arthur Koestler, *The Act of Creation* (New York: Macmillan, 1969), p. 635.
37. Ayn Rand, "Patents and Copyrights," in *Capitalism: The Unknown Ideal* (New York: New American Library, 1967), p. 130.
38. Herbert A. Simon, "Rationality as Process and Product of Thought," *American Economic Review* 68 (May 1978): 13.
39. See Daniel P. Hann and Roger Paden, "Rationality and the Economics of Cognition: Comment," *Economic Forum* 10, no. 1 (Summer 1979): 86 and *passim* for other critiques.
40. For more-detail on this point, see James Rolph Edwards, "Rational Processes and the Subconscious: Reply to Paden and Hann," *Economic Forum* 10, no. 2 (Winter 1979).
41. Koestler, *Act of Creation*, p. 155.
42. Edwards, "Rationality and the Economics of Cognition," pp. 81-82.