

11 The Interplay Between Institutional and Material Factors: The Problem and its Status

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INTRODUCTION: THE SOURCES OF DANGERS AND DIFFICULTIES

When Egon Matzner suggested the topic for my contribution, Lord Keynes's pronouncement that economics is a 'dangerous science' came to me in a flash. 'It is indeed', Joseph A. Schumpeter (1954) added his approval as he quoted it. And in the last section of his *General Theory of Employment, Interest, and Money*, Lord Keynes supported this theme by pointing out that 'practical men ... are usually the slaves of some defunct economist', so, it is the ideas of economists, not the vested interests, that 'are dangerous for good or evil'. Instructively, Robert K. Merton (1981), recently related those thoughts to President Richard Nixon's 'public confession that he was a Keynesian'. It thus seems that Lord Keynes's remark was either an implicit admission of the political ineffectiveness of any economic doctrine or a verdict about the inability of political men to understand economics rightly. Be this as it may, any economist who has ever stopped to ponder about the epistemological foundation of the economic discipline would certainly agree that economics is a dangerous discipline precisely because of the interplay between the institutional and the economic factors.

To see the source of the danger we should recall Thomas Hobbes's observation in the last sentence of *Leviathan*: 'such truth, as opposeth no man's profit, nor pleasure, is to all men welcome'. The truths of

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