

Berger on Capitalism

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Peter Berger is an astute observer and erudite scholar but a poor theorist. So, at least, one is driven to conclude, judging by his work under review here, *The Capitalist Revolution*. Berger, famed for his work as a sociologist of knowledge, has braved the perils of conformity in his discipline by writing a work sympathetic to capitalism. He advances in the book fifty propositions “about prosperity, equality, and liberty”: the issue of the role of capitalism in economic development especially interests him. Many of these propositions are both true and important, e.g., “44. There is an affinity between socialism and the totalitarian project for modern society” and “48. There can be no effective market economy without private ownership of the means of production” (p. 215). Unfortunately, Berger thinks he is doing much more than presenting and discussing certain statements.

Specifically, he believes that he has developed a theory of capitalism. He does not claim that he has constructed the complete edifice of a valid theoretical account of capitalism. But at least he has begun the task. “Theory” he takes in a very ambitious way. Weber, Schumpeter, and Hayek have not developed a complete theory of capitalism, since none of these writers has a comprehensive account relating capitalism to other social, cultural, and intellectual trends. Marx has a theory of the required scope: *its* problem is that it is empirically false. Many of Marx’s predictions (e.g., that the position of workers under capitalism would continually worsen) blatantly contradict the facts. The task confronting Berger, then, is to devise a theory that has the range of Marxism and that is also true.

To assess the success of Berger in attempting this Herculean labor, one question at once confronts us. What does Berger mean by a theory? The answer to this query leaps out at the reader of *The Capitalist Revolution*. Berger again and again states that a theory must be empirical, i.e., it must advance falsifiable propositions. He states, e.g., “I want to stress, as emphat-

ically as I can, that each one of these propositions is to be understood as a hypothesis within an ongoing empirical inquiry . . . each proposition is, in principle, falsifiable” (p. 8, emphasis removed).

In contrast, he scorns “a priori” theorizing. He ironically notes that he has no grasp of the “inner logic of history” (p. 9). Causal relations between social phenomena cannot be deduced by logic, but must be discerned by observation of the real world. One can hardly help but note that Berger’s argument in favor of empiricism in theory construction has proceeded in a highly a priori fashion. How does Berger *know* that no causal relation can be established without reference to experience? Does he think (this would *not* be self-contradictory) that he can show by a priori argument that no a priori argument can establish a causal relation? If he thinks this, what is the argument? None is offered.

Or is it, perhaps, that Berger thinks that it can be established empirically that no causal relation can be known a priori? But how could this be shown? All that one could show empirically is that various attempts to argue for such an a priori relation have failed. But this would not show that no future attempt to discover such a relation *must* fail. Also, even if it *were* the case that no *argument* could establish an a priori causal relation, it would not follow that no relations of this type exist. Nor would it follow from the fact, if it were one, that no argument could establish an a priori causal relation that we could not know that a proposition asserting such a relation was true. Perhaps there are some a priori causal propositions that are simply recognized to be true rather than proved by argument.

With some justice I might be accused of reading too much into Berger’s claim. Probably all that he means is that in social science he does not think a priori theorizing is very successful. If so, there is one obvious counterexample he needs to confront. Austrian economics proceeds in exactly the way Berger rejects: its praxeological method, as carried on most notably by Mises and Rothbard, deduces propositions from self-evident axioms. Many of these propositions state causal relations, yet no claim is made that these propositions need to be established by testing. Yet Austrian economics seems a very powerful theory indeed; unless Berger can find some error in it, his view about theory in social science fails.

Oddly, Berger seems not only aware of Austrian economics but appreciative of some of its conclusions. He cites with admiration Mises’ demolition of the pretensions of market socialism (pp. 188–89). (That he misdates Mises’ argument by ten years because he gives the date of the English translation as the date of the original is a point only someone guilty of arrant pedantry would mention, so I shall not speak of it.) Does he not know that Mises’ argument is a priori, not empirical?

But let us for the moment pass by these strictures and assess Berger’s presentation simply as an empirical theory. As we have said, he endlessly

reiterates that a scientific proposition must be falsifiable. Presumably he has learned this from Karl Popper, but he has ignored another aspect of the *Logic of Scientific Discovery*.

Popper makes in that work a valuable point that even those who reject his empiricism should accept. A good scientific theory should be daring in its claims. It should enable us to arrive at surprising conclusions: a mere summary of what we already believe is not a good theory. Further, aside from the theory's predictions, a *theory* must be just that—it must be a body of statements *explaining* some aspect of the world, not merely describing it.

An example will clarify this point. Suppose someone claimed to have arrived at a theory of the place of professional sports in modern society. Imagine his theory consisted of the following propositions: 1. Some sports are more popular than others. 2. A few athletes make very large salaries. 3. More men than women are professional athletes. and 4. Propositions 1, 2, and 3 will continue to be true in the near future. Surely someone who presented this as a theory would convict himself of not understanding the nature of science. A collection of unrelated commonplaces is not a theory.

Judged by this hardly demanding standard, Berger's book does not offer a theory at all. Each of his fifty propositions simply lists some fact about the present or past and predicts that the trend that the fact mentioned implies will continue to prove true in the future. A few examples will illustrate Berger's procedure. His first proposition is: "Industrial capitalism has generated the greatest productive power in human history" (pp. 36 ff). Very good; but this is no more a theoretical statement than is, "Berger does not understand the meaning of the term *comparative advantage* in economics." Both are perfectly true (the second will be evident to any reader of chapter 7); but neither is a theory.

Again, consider "42. There is an intrinsic linkage between socialism and economic inefficiency." This sounds much better: if Berger argued for this in the style of Mises, he would be proving a very significant theoretical statement. But he does no such thing. Instead, he has merely noted that existing socialist countries have a great many economic problems and predicted the continuance of this trend for the future. Berger no doubt deserves credit for making this statement, since so obvious a truth seems beyond the mighty minds of most of his sociologist confrères. But seeing this hardly makes one a theorist, much less one who has surpassed in comprehensiveness Weber, Schumpeter, and Hayek.

It is, however, not altogether the case that *all* of Berger's theoretical propositions are commonplaces that Berger predicts will continue to prove true in the future. There is a technical flaw that makes several of the propositions false. In an effort to avoid begging the question in favor of private property, Berger defines capitalism as "production for a market by enterprising individuals or combines with the purpose of making a profit" (p. 16). He does

this not because he opposes private property; quite the contrary, he later contends that private property is necessary for an effective market economy. But he wishes the latter proposition to be an *empirical* one—again that blessed word!—and thinks that if he defined capitalism so that it involved private ownership, the connection he postulates would be unempirical. He has overlooked the fact that on *his* definition of capitalism, a number of his propositions become false. As he rightly points out, market socialism is not a very efficient economic system. But if market socialism is a type of capitalism, as Berger's definition allows, then it is untrue, e.g., that "27. Capitalist development is more likely than socialist development to improve the material standard of life of people in the contemporary Third World, including the poorest groups." This is both true and well said about capitalism as normally defined, i.e., as involving private ownership of the means of production. Further, I think it is this that Berger actually means to be talking about. But, using his own definition, what he actually says is false, since there is no reason to think that market socialism will aid the development of the Third World. Nor is it true that "15. The new knowledge class in Western societies is a major antagonist of capitalism" using Berger's definition. Many of the members of that class strongly support market socialism. Berger once more has not succeeded in saying what he obviously wishes to say.

Our impression of Berger's logical ability cannot rise when we note that he also says that the term *market socialism* is analogous to "circular square." If the concept of market socialism is logically contradictory, why does Berger make room in his definition of capitalism for a regime involving a market but no private ownership? That just *is* market socialism. I leave as an exercise for the reader the detection of the elementary fallacy in Berger's contention that if capitalism were defined so as to involve private property, the link between private ownership and efficiency would be made true by definition rather than empirically discovered.

Berger's difficulties with philosophy are not yet over. Although almost all his propositions support the superior productivity of capitalism over socialism, he rightly points out that in themselves the propositions are value-free. Someone who does *not* want economic efficiency will obviously not consider it an advantage of capitalism that its rivals are inefficient. Berger himself does support capitalism, however, and, in his last chapter (p. 218ff), he compares capitalism and socialism according to certain values that he thinks many readers will share and that he apparently holds himself. With the list of values, and with his comparisons, in which capitalism emerges as the easy winner, we in general have no serious quarrel. One wonders, however, why Berger accepts without question the assumption that income equality is a value—he generally speaks of movement toward income equality as movement in a "better" direction.

The main problem with Berger's approach to value lies elsewhere than in

his comparison of capitalism and socialism. It is that for him, values are arbitrary assumptions (pp. 217–18). Thus, the fact that capitalism encourages the growth of individual freedom plus the additional fact that socialism leads to bureaucratic control and dictatorship are *not* proof that capitalism is objectively better than socialism. These facts lead to procapitalist conclusions only if one accepts the value of freedom. Berger unfortunately gives no argument for this familiar logical positivist thesis. Though this is not the place to argue against it, surely Berger should possess the minimal acquaintance with the current state of philosophical literature that would have sufficed to inform him that his view of values is highly controversial and cannot be assumed without argument. Just as a sample of the type of difficulty Berger's view leads to, does it really make sense to say "My highest value is irrationality, and I thus consider good whatever is irrational"? On Berger's approach, this postulated "value" is as valid as any other.

After these negative remarks, I hope it will not be considered hypocritical if I say that Berger's propositions in general express much sound sense. Although the productivity of capitalism over socialism, as well as the totalitarian tendencies of the latter system, should be obvious to everyone, unfortunately they are not. If anyone needs a good summary account of these facts and others of a similar kind, he will find it in Berger's book. The chapter "East Asian Capitalism: A Second Case" is especially informative.

The book, though, is not without its fair share of mistakes. From Berger's discussion on p. 53, one suspects he has temporarily forgotten that nonnobles could join the aristocracy under the Old Regime. The Duc de Saint-Simon (whom Berger mentions on the same page) for example, was the grandson of a commoner. Further, the author gives entirely too much credit to the pessimistic interpretation of the early Industrial Revolution (p. 41); he wrongly accepts the thesis of James Burnham that legal ownership and functional control are separated in the modern corporation (pp. 56, 225); and he fails to see the point so well brought out by Mises' short *Bureaucracy* that large corporations in a market system do not operate in a similar manner to government offices (p. 56). In view of the many anticapitalist myths prevalent among what Berger calls the "knowledge class," one must say in conclusion that, in spite of its errors and theoretical inadequacies, Berger's book is better than most. He can at least recognize a truism when it stares him in the face.