

A PRIMER ON PRAGMATISM: APPLICATIONS

Posts in this series. This post is updated from time to time with additional resources.

This introduction to pragmatism was motivated in part by the fact that the philosopher Elizabeth Anderson identifies herself as in the pragmatist tradition, but there are other reasons. Our political environment is toxic. It's hard to maintain our sense of self, of our values, our hopes, and our sense of security. Philosophy offers us reminders of the existence of our values, and the role they play in holding us together as individuals and in our relations with others. It takes us away from the noise and the turmoil and puts us in a quiet atmosphere where we can nurse our wholeness. It can provide us with armor against the forces that are ripping at us.

With that in mind, I'll close with a brief discussion of democracy and Modern Money Theory. Both begin with the key idea of pragmatism, that all our ideas, no matter how old, were formed for human reasons, and to meet human needs. All of them, no matter how old, are subject to rethinking in light of new conditions.

Democracy

Pragmatism is particularly well-suited to democracy. The most striking justification for democracy is found in the Declaration of Independence:

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

I'm not so sure these truths are self-evident.

Prior to that time, the dominant view was that some people are born to lead, and others are only fit to follow. As Peirce and James point out, philosophical systems then were grounded in the idea that there is a universal truth outside human experience, but one that the best of us can comprehend somehow. Those lucky people can construct a social system that accords with the will of the universe, or the Almighty. Many of them argued for centuries that the King ruled with the blessing of the Almighty, and everyone else was inferior, fit only to follow.

At the time Jefferson wrote, the French and the English were directly contesting the divine right of kings, and there was discontent with the idea of hereditary authority. But the US was the first country to adopt Thomas Jefferson's formulation as a founding idea. It's a revolutionary statement, and one we are still trying to reify, not just in our government but in our social lives, our work, and other institutions.

The Declaration was a break with what seemed like a first principle. And that is fundamentally a pragmatist act: rejecting a first principle because it isn't working to create the kind of lives people wanted. Jefferson's formulation wasn't totally original. It derives from prior thinkers, but instead of laying out a rule, it articulates a value, a value that should guide our efforts to create a decent society. The system of government created by the Constitution was supposed to be one that would enable the creation of a new kind of society, one informed not by rules thought to be eternal, but by values that are thought to be best for human beings.

There have always been people insisting that there are eternal rules, and that deviation from those rules would bring disaster. They settle all doubt by tenacity, as Peirce would say.

Pragmatists say that we have to justify our choices on the basis of what works. But the first step is to decide what our priorities are.

We do that by defining our values and our goals, and then by working out the best way to reach them. Life, liberty, and the pursuit of happiness may not be the best goals for today, but they're a start. Our task is to decide what that means in today's society. Anderson says we don't want to be humiliated or dominated. That's a good way of talking about what liberty and the pursuit of happiness might mean today. We won't get the answers by looking outside our human experience.

Modern Money Theory

Much of neoclassical economics is grounded in normative concepts. One of these is Jeremy Bentham's utilitarianism, discussed in §2.1 of this entry in the Stanford Encyclopedia of Philosophy. The economist and mathematician William Stanley Jevons used this normative concept to create the economic idea of marginal utility, one of the foundations of neoclassical economics. See pp 9-10 here.

Utilitarianism is a normative idea. This is from the Stanford link:

... [Bentham] promulgated the principle of utility as the standard of right action on the part of governments and individuals. Actions are approved when they are such as to promote happiness, or pleasure, and disapproved of when they have a tendency to cause unhappiness, or pain. Combine this criterion of rightness with a view that we should be actively trying to promote overall happiness, and one has a serious incompatibility with psychological egoism. Cites omitted.

Jevons explicitly sets out to mathematize Bentham's utilitarianism. Marginal utility is therefore grounded in a normative idea. It incorporates a specific value, but the value is hidden and ignored when it comes to putting marginal utility into practice. It is only

loosely, if at all, based on practical experience of human behavior. Nevertheless, it is the foundation of large parts of neoclassical economics and of its modern version, neoliberalism.

Pragmatism rejects the idea of starting from normative theories. I don't know how to deal with marginal utility from a pragmatic point of view, so I turn to another fundamental idea of economics, the creation of money. As best I can tell, mainstream economists say that banks create money. There's a story about bank multipliers you can google. Governments get money by taxation or borrowing. In this story, the private sector is responsible for money creation subject only to some loose guidance from the Federal Reserve Board. This protects us by making sure Congress can't ruin the financial sector with profligate spending and borrowing which would automatically happen, and which would be an inflationary disaster.

Modern Money Theory starts with a question: how is money created? It looks at the things that are done as a result of which there is money. Governments create money by spending it. They reduce the amount of money by taxation. They may or may not issue bonds. MMT is based on observable facts. The description of the creation of money leads to other testable ideas and to a completely different concept of the role of government in money creation and society.

Money creation is a governmental action, and thus is subject to politics. Congress decides how much money is created, and how the new money is used. The old story tries to deny this reality with cloudy abstractions and claims that it's all the working of some invisible hand. Pragmatists don't believe in invisible hands. They say that politics is the arena in which we decide about how to use the power to create money.

MMT isn't just for progressives. Deficit hawks and small government supporters get to argue

their opinions, and to assert their values. This is a quote from *Modern Money Theory* by Randy Wray:

However, I also believe that most of the tenets of MMT can be adopted by anyone. It does not bother me if some simply want to use the descriptive part of MMT without agreeing with the policy prescriptions. The description provides a framework for policymaking. But there is room for disagreement over what government should do. Once we understand that affordability is not an issue for a sovereign currency-issuing government, then questions about what government should do become paramount. And we can disagree on those. (Emphasis in original.)

The fact that MMT is value-neutral, that it can be used by people of every political persuasion is a powerful point in its favor. I don't think we can say the same thing about neoliberalism.

Conclusion

There is much more to be said about pragmatism. It is a powerful tool we can use to cut through old ideas and useless distinctions. But perhaps its most important contribution is that it is an open-ended theory. It makes room for the endless possibilities of human beings. I think that is a powerful value.