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CONSIDER THIS

The Humanities' Value

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Why should society support the humanities when so many people are suffering from the effects of the economic crisis? What claim do the humanities, or scholarship generally, have on increasingly limited resources? Shouldn't such pursuits be considered luxuries at a time when we should be focusing on essentials?

I hear those questions all the time, in part because I ask them myself. When I bother to answer myself, I say that of course we should focus on the essentials. The alleviation of human suffering, the restoration of opportunity, and the resurrection of confidence must be our top priorities. But the present crisis must not be the horizon of our thinking; our most immediate concerns cannot be our only concerns. While we are struggling through the morass of the present, we must retain both our memory, which sustains us, and our imagination, which must light the way forward.

Memory and imagination place us in the general domain of the humanities. And that leads to my main argument: The humanities are, if not the top priority right now, at least one of the areas that must be recognized as crucial, and supported accordingly. The present crisis does not eclipse the humanities but rather reveals the need for the skills, dispositions, and resources that the humanities, and only the humanities, cultivate.

No need to shout. I can already hear you (indeed, I can hear myself) saying that we are dealing with money, not metaphors, and that we will not get out of this mess by entrusting our fate to English majors. True — but I am struck by the recurrence of two statements in the numerous analyses I've read: "It is all so obvious in retrospect," and "Our models failed to predict this." Put those two together, and it becomes clear that the most sophisticated tools developed to analyze and predict movements in the economy failed spectacularly to grasp some very large, crucial, and — in retrospect — fully visible facts.

How did that happen?

What was missing, some analysts have concluded, was a deeper understanding of the relationship between value and confidence. It was presumed that the value of, say, houses was always going to rise. Beneath that assumption was another, that the value had a certain solidity, like the house itself. However, as Paul S. Willen, a senior economist at the Federal Reserve Bank of Boston, recently noted, "The price of an asset, like a house or a stock, reflects not only your beliefs about the future, but you're also betting on other people's beliefs." He went on, "It's these hierarchies of beliefs — these behavioral factors — that are so hard to model."

The key factor, then, escapes abstract models because it is human and social, not mathematical — a vast imaginative construction composed of hopes, fears, illusions, calculations, judgments. Unlike the house, the imaginative construction that determines the house's value can be destroyed by a pinprick — hence the term bubble.

So our models failed not because they were imprecise but because they were too precise, too neat and crisp to take in the imaginative and social nature of value. Nor did they take in the fully human character of the behavior of lenders, borrowers, analysts, shareholders, or traders, all of whom were driven by largely unconscious and partly irrational beliefs, including the simple desire for social approval, even as they were persuaded of their own powers of analysis and of the underlying "rationality" or "efficiency" of the market.

It all seems so obvious in retrospect that retrospection itself can be dismissed as a worthless activity. The real gift is to see in advance the things that will, in retrospect, prove to have been obvious. Where is that apparently rare gift cultivated, developed, rewarded? How does society foster that valuable trait?

Well, consider this: When we read a novel, watch a play or a film, listen to a concerto, or read a historical narrative, we are not just attending to the moment but forming expectations about what will come next. Surprise endings surprise only because they do not conform to our expectations.

Comparing our anticipation with the actual unfurling of the work or the sequence of arguments is part of the distinctive pleasure we take in such activities, and that pleasure keeps us returning for more. Such anticipatory or projective retrospection always involves speculation or guesswork, for every piece is unique. But being able to engage in such anticipation is an essential part of general intelligence, and developing that ability is one of the primary goals of teaching in the humanities.

I would suggest that the reason that our models and modelers failed to predict the current economic crisis was that they did not engage in what I call "projective retrospection," nor did they try to anticipate the diffuse effects of nonquantifiable, shifting collective beliefs. They were, I presume, simply trying to be as rational as possible in plotting their moves. Their imaginations were constrained by their assumption that the economy was a kind of game with arcane rules rather than a human activity embedded in the general human scene.

In truth — as may perhaps by now be obvious — I have no understanding of the "dismal science" of economics. But I feel on firm ground in saying that any discipline that studies human behavior without taking human beings into account must be leaving something out. That something is the imaginative character of human society, which is supported only by collective confidence in its reality. As I write, many analysts are saying that the most urgent task is the restoration of confidence in "the system." If only people were confident that the system was sound, then banks would lend, people would spend, and the crisis would abate. The truth is that while cash infusions might produce local benefits, a general confidence cannot be bought, for it is a basic attitude about one's prospects in the world. Irreducible to formulae or algorithms, such confidence nevertheless stands at the top of that hierarchy of beliefs that determines value.

And here we come to the humanistic heart of the matter. The economy in which people do or do not have confidence can be understood as a persuasive fiction that is, in critical ways, not fully responsive to rational analysis. Indeed, the financial instruments whose implosion we've been watching — the notorious credit-default swaps and derivatives and securitized mortgages — were so complex and opaque that not even those who staked their fortunes on them understood what they were.

At the deepest level, money itself is a fiction. Money signifies value, which is, presumably, located elsewhere — in the basement, say, of Fort Knox. But gold is only valuable because of a collective belief in its value. Now, with the collapse of financial markets worldwide, we see that all value, everywhere, is a function of confidence, or a belief in fictions. The immense cash infusions on which we now pin our hopes are simply fictions that we hope will be more persuasive than others — not because they are real, but simply because a large power insists that they be taken for real: They are, as the phrase has it, "backed by the full faith and confidence of the federal government."

Our material lives are sustained by our belief in such fictions, and when we stop believing — as we now have, temporarily — we see revealed the immaterial foundations of the real world. When, a generation ago, a few "postmodern" theorists began to talk about the fictional character of reality, they were laughed at by those who considered themselves hardheaded realists; nobody, not even the most doctrinaire postmodernist, is laughing now.

So why support the humanities? The answer is not just that the humanities deserve no less than Citigroup, AIG, or General Motors — in fact, the humanities do not need a huge bailout, only predictable support — but that the humanities elicit and exercise ways of thinking that help us navigate the world we live in. For my money, that's about as essential as it gets.

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