INTRODUCTION: WHY ECONOMISTS DISAGREE: THE ROLE OF THE ALTERNATIVE SCHOOLS OF THOUGHT

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If All Economists Were Placed End to End,
They Still Wouldn't Reach a Conclusion

Economists disagree. We disagree over policy, prediction, and matters of pure theory. We even disagree over why we disagree.

We've disagreed for so long that the jokes have become legion. Even the Internet has snagged us. Search the World Wide Web under "Resources for Economists," for example, and you'll find a page containing jokes such as the one above.

To some, our growing disagreement suggests that economics has finally reached a state of crisis; to others, it is perhaps a long overdue sign of diversity and healthy heterodoxy.

Not to Worry: The Views of Milton Friedman and Fritz Machlup

And yet to others our disagreements mean neither. Milton Friedman said so in his "Methodology of Positive Economics," and later in an especially readable version titled, simply, "Why Economists Disagree." So did Fritz Machlup in his own essay titled "Why Economists Disagree."[1]

Friedman and Machlup both argued that most of the disagreement among economists is only apparent. We generally agree on theoretical fundamentals—the basic models. As Machlup stated, "no outsider . . . appreciates the broad agreement of the analysts about the theoretical system that constitutes their discipline" (pp. 388–89). We economists disagree over applications, and that's what the public (Machlup's "outsiders") hears on the evening news and reads in the financial pages.

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Friedman asks us to consider minimum wage policies, for example. Friedman claims that "reputable" economists on either end of the political spectrum believe that higher minimum wages increases unemployment among the unskilled (p. 2). But on the evening news, two economists may nevertheless express very different judgments as to what *should* be done with the minimum wage. For Friedman, their difference is over politics, not economic theory. The conflation of solid economic theory with political (and moral) judgments helps explain a good deal of the apparent disagreement among economists—on television, in the papers, in the policy reports of think tanks.

Personal values shape and color policy choices in many ways. Consider the meaning of the "free society," for instance. A libertarian economist suggests laissez-faire as the foundation for freedom, while a radical economist views extreme income inequalities of capitalism as an obstacle to freedom, properly understood. "Each will place the burden of proof differently," Friedman claims, "one on the proponent of governmental intervention, the other, on the proponent of laissez-faire" (p. 7). Personal and political values also shape one's time perspective: Shall we pursue long run targets? Or is it true that, because we're all dead in the long run, we can help the living (we owe it to ourselves) by favoring short-run consequences of economic policy?

Nevertheless, Friedman argues that these value judgments (differences in which, unfortunately, "men can only fight") don't explain all, or perhaps not even the bulk of, disagreements among economists. Friedman holds back from concluding that our differences are ultimately differences in value judgments alone: "The major reasons for differences of opinion among economists on inflation, monetary policy, and the balance of payments," for example, "are not differences in values but differences in scientific judgements about both economic and noneconomic effects" (p. 10).

This is curious.

To appreciate Friedman's claim, let's consider the historical context of this statement. Written in the late 1960s, the so-called neoclassical synthesis was at its peak. The macroeconomics of John Maynard Keynes's *General Theory* was shaped into the aggregate supply-and-demand frameworks of Paul Samuelson and then the IS-LM models of Hicks and Hansen: macroeconomics had become wedded—synthesized—with the neo-Walrasian general equilibrium framework. A single agreed-on model could be used to explain and predict the behavior of macroeconomic aggregates—GNP, employment, prices, and interest rates. Keynesians could use the model to justify interventionist fiscal and monetary policies to rationally correct the deficiencies of the capitalist system. But monetarists

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such as Friedman would apply the *same* framework to justify laissez-faire policies, namely a monetary rule rather than discretionary monetary policy, and balanced fiscal budgets. True, there was some difference in time perspectives (Keynesians apparently favoring the short run more heavily than the monetarist's long run), but both groups held the same *basic* values of a dynamic, growing, efficient capitalist economy. After all, Keynes considered himself a realist in the classical liberal tradition.

Both groups employed the core model of the neoclassical synthesis. The great Keynesian-Monetarist debates of the 1960s and 1870s were not so great after all, in terms of economic theory: the debates really boiled down to the slopes of the curves, as it were. As Friedman put it in an oft-quoted statement, "We are all Keynesians now." Meaning: "We all use the Keynesian language and apparatus; none of us any longer accepts the initial Keynesian conclusions" (p. 15). The differences, in other words, were mostly differences in *scientific* judgments. Being so, these differences could be discussed rationally, they could be empirically tested.

Like Machlup, Friedman concluded that there is a great deal of misunderstanding concerning economists' disagreements. Economic theory is solidly intact. Economists fundamentally agree on the core of economic theory. They simply have to iron out the differences in their interpretations of applied, empirical work. Sure, personal and political differences will remain (although they, too, may diminish with advances in economic science), but these differences of opinion should not be construed as a weakness of mainstream economic theory.

Thurow Agrees

That was the argument of the 1960s and 1970s. Lester Thurow would essentially reiterate the Friedman-Machlup position much later, in his own essay, "Why Do Economists Disagree?"[2] "Economists disagree much less about economics than the general public thinks," he states. "Most of the disagreements are about noneconomic aspects of economic problems" (p. 176). And he, too, considers the minimum wage exemplary: "The minimum wage dispute is not a dispute about economics, but a political dispute as to whether government should or should not intervene in the labor market to alter market incomes" (p. 177).

Although Thurow admits that our ability to predict is not as great as we once hoped (and, at any rate, "To judge economics in terms of its predictive record is to judge it in a way that no other science is judged" [p. 182]), economic theory is still essentially a sound enterprise. (Is Thurow aware of the joke that economics was invented to make astrologers look like good predictors?)

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But Not So Fast . . .

Reading both Friedman's and Thurow's widely disseminated articles, one would hardly be aware of the rapidly growing methodological and theoretical diversity in contemporary economics. Today we witness a near-explosion of heterodox thought.

Milton Friedman's optimism about the beneath-the-surface agreement within the economics profession is not hard to understand. Again, he wrote during the height of the neoclassical synthesis. In the 1950s and 1960s "everybody" seemed to be part of a mainstream view. Lester Thurow's reaffirmation—written in the 1980s—is a bit harder to understand, however, for the period of the 1970s witnessed a near-unraveling of neoclassicism, with the Phillips curve controversy, the great period of stagflation, and the burst of energies in search of the microfoundations of macroeconomics, particularly in regard to finding an adequate framework that offers a full account of expectations. True, the mainstream would become reinvigorated with the rational expectations axiom, in the model proposed by the New Classical economists (students of Friedman himself), and with the New Keynesian rebuttal. But during the same time several schools of thought, many of which were lying dormant for decades, have reemerged to challenge and offer alternative approaches to the neoclassical mainstream, both in its traditional Keynesian-Monetarist form and in the current New Classical–New Keynesian form.

Today unfolds a rapidly growing diversity within the economics profession. New methodological and theoretical alternatives are being discussed, debated, and published in an astonishing array of scholarly outlets. The disagreements have grown stronger, the debates more grand. Economists no longer argue simply over the slopes of curves; neither do they only focus on the relationship between rational expectations and the (ad hoc) assumptions regarding price stickiness or wage rigidities. The entire equilibrium-based model is open to serious reexamination and criticism. Indeed, the status of economics as a *science* itself, and its potential as an a priori, value-free theory, is in dispute.

This book is about those alternatives to the mainstream.

A Growing Diversity in Contemporary Economics: The Alternative Schools

We begin in Part I with the Austrian School, for onlookers (and many practitioners within the school) believe it to be the "closest" or perhaps most sympathetic to the neoclassical mainstream. We shall then move "further" from the mainstream by turning to the Post Keynesian

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(Part II), Institutionalist (Part III), and Radical Political Economy or Marxist (Part IV) traditions. We will conclude in Part V by considering issues in the contemporary philosophy of economics. A final bibliographic essay is added to suggest further readings.

The Austrian School

Austrian economics began with Carl Menger's 1871 text, *Principles of Economics*. Menger, who helped forge the "marginal" revolution in economic theory (along with France's Leon Walras and Britain's William Stanley Jevons), founded perhaps the most strongly "subjectivist" branch of modern economics. Menger was also a key player in the great *Methodenstreit*, the classic debate over methods. Menger defended the role of a priori, deductive theory against the antitheoretical stance of the burgeoning German Historical School. His fellow Austrian students, Eugen von Boehm-Bawerk and Friedrich von Wieser, and especially their students, Ludwig von Mises and F. A. Hayek, would later create what has come to be called, for the lack of a better name, "Austrian" economics.

Contemporary Austrian economics is characterized by its commitment to *methodological individualism*. For Austrians, economic theory is ultimately about people's choices and both the intended and unintended consequences of their choices. Economics, in other words, is a general science of human action.

Their individualist methodology is further buttressed by a profound, if not radical, *subjectivism*. Choice, or action in general, occurs through *time* (i.e., historical time, rather than logical or mathematical time denoted by the *t* subscript used in the formulae of physicists and neoclassical economists), and under conditions of *uncertainty* (as opposed to measurable risk). Austrians argue that the standard rational choice model has nothing in common with action in the real world; indeed, one would neither act nor choose if their future was known with perfect certainty and their maximizing problems could be solved instantaneously. Allowing for an uncertain world means that individuals are guided, at best, by their subjective *expectations* of the world.

A world riddled with uncertainty, less-than-rational expectations, and historical time is necessarily a world outside of general economic equilibrium. Austrians—indeed, all the alternative schools of thought in this book—see neoclassical theory as being too preoccupied with the general equilibrium model, an abstract picture of how the world would look like *only if* it were peopled with rational maximizers who face none of the above conditions. Opposed to neoclassicism, Austrians consider the goal of their theory to explain the market system as an evolving and

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dynamic *process* that may perhaps tend toward equilibrium, but will never reach it.

Roger W. Garrison's "Time and Money: The Universals of Macroeconomic Theorizing" (chapter 1) juxtaposes this Austrian position against both mainstream neoclassicism and the Keynes–Post Keynesian approaches. Garrison argues that Austrian economics lies on a stable middle ground between the neoclassical "equilibrium always" assumption and the Post Keynesian "equilibrium never" counterargument. For Garrison, as for most Austrians, the market process notion supplies a sensible theory that avoids the pitfalls of either of the others. Also implicit here is the notion of an Austrian microfoundation for macroeconomics. As Garrison states, "Time is the medium of action, money is the medium of exchange. Together these two media can serve to define macroeconomics." In other words, Austrian economics need not be separated into "distinct" branches called micro or macro. The macro or economywide consequences of individual human actions is logically deduced from the micro.

Israel M. Kirzner further describes the market process concept in his "The Driving Force of the Market: The Idea of 'Competition' in Contemporary Economic Theory and in the Austrian Theory of the Market Process" (chapter 2). Here Kirzner pits the process theory against the mainstream model of perfect competition. Austrians would agree with Frank Knight's early views that there really is no competition—as we all know it in the real world—within the economist's fiction of perfect competition. For Austrians, competition is not necessarily about the size of markets, the number of competitors, the amount of information, and so on—and it certainly has nothing to do with equilibrium price-taking behavior. Rather, competition is a rivalrous *discovery process*, which, to Kirzner, "is driven by the entrepreneurial element in each human being, by the propensity to notice the implications of earlier errors (which propensity is the essence of entrepreneurship)." For Kirzner, as for most Austrians, the equilibrium fiction depicts a world of perfect knowledge, while a theory of entrepreneurship explains how knowledge is discovered and conveyed in the first place, and thus how entrepreneurship operates as the equilibrating vehicle in a free-market system. Moreover, viewed from this perspective, the neoclassical model of monopoly (and, implicitly, imperfect competition) is open to Austrian criticisms. The reader will also find in this chapter, however, that not all Austrians agree on the monopoly question.

Furthermore, not all Austrians agree that the market process is a *fundamentally equilibrating* process. Ludwig M. Lachmann's "From Mises to Shackle: An Essay on Austrian Economics and the Kaleidic Society"

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(chapter 3) offers an immanent theoretical challenge to contemporary Austrian economists. An Austrian himself (a student of Hayek, and enormously influenced by G. L. S. Shackle), Lachmann suggests that if Austrians take time, uncertainty, and expectations seriously—which is what their much-touted *radical subjectivism* is all about—then it is unclear, a priori, that market participants' expectations will converge. In other words, each step in a dynamic, entrepreneurial market process does not necessarily improve economic coordination; expectations, and thus individual plans, may diverge. Rather than equilibrate the system, the decisions of households, consumers, and entrepreneurs may create a "kaleidic" (though not necessarily *chaotic*) economy. Lachmann is well aware that he raises a thorny issue among his Austrian colleagues: "The kaleidic society is thus not the natural habitat of Austrian economics," but nevertheless he was optimistic because "it is quite possible that a bastion of extended subjectivism, enhanced by the inclusion of divergent expectations, will offer us an excellent vantage point from which to watch the happenings of such a society in a dispassionate perspective, a perspective superior to what we have had before."

While Austrians currently debate this crucial issue, it offers us a good jumping-off point, and leads us to a central thesis of our next alternative.

The Post Keynesian School

Post-Keynesian economists take their inspiration from the work of J. M. Keynes, especially that of his *General Theory*, as opposed to the later Keynesians such as John Hicks and Paul Samuelson, who fit Keynesian macroeconomics onto a neoclassical foundation. The Post Keynesians such as Michael Kalecki, Roy Harrod, Joan Robinson in England; and Sidney Weintraub, Alfred S. Eichner, and Paul Davidson in the United States, reject the *neoclassical synthesis* (in fact, Joan Robinson went so far as to call the neoclassical synthesis "Bastard Keynesianism," an illegitimate interpretation of what Keynes really meant). They instead argue that mainstream equilibrium theory is ultimately irrelevant in the real world of time, uncertainty, and change.

Post Keynesians (notably Paul Davidson, Alfred S. Eichner, and Hyman Minsky) argue that Keynes tried to develop a theory that focuses on problems of real existing economies. In particular, he studied money, money-wages, contracts, expectations, time, unemployment, and their relations to output. These phenomena simply do not exist under general equilibrium. Because general equilibrium assumes that all activities take place in a single instant, every commodity or service is signed for and paid for in advance through a set of futures contracts that spell out every

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possible contingency and accords a measurable probability to it, under given prices, production functions, utility functions, and so forth. Time as we know it does not exist in the neoclassical model. Nor, then, does *uncertainty*.

The Post Keynesian disagreement with standard theory seems to share some common ground with the Austrian School noted above. But there's more to consider.

Paul Davidson's "Reviving Keynes's Revolution" (chapter 4) suggests that the mere existence of a general medium of exchange—*money*—should lead us to cast a profound skepticism on the validity of general equilibrium modeling. People hold money because they live in *time*, in a truly uncertain world. Money contracts—including money wages—suggest that a Walrasian general equilibrium *cannot* be described—let alone attained—in the real world of high finance capitalism (or anyplace else, for that matter). "The existence of money contracts—a characteristic of the world in which Keynes lived and which we still do," Davidson observes, "implies there need never exist, in the long run or the short run, any rational expectations equilibrium or general equilibrium market clearing vector." Davidson takes both classical and neoclassical economics to task, including the Neo-Keynesianism of Clower and Leijonhufvud (and one might add, now, the currently popular New Keynesian theories of Stiglitz and others) for suggesting that somehow, somewhere in the long run there is a general equilibrium solution to society's coordination problems. Davidson argues that, in a *nonergodic* world plagued with uncertainty and error, and thus *disequilibrium*, money must affect both nominal *and* real variables; money is not neutral. (And the upshot of this, in light of the previously mentioned Austrian theory of a fundamentally equilibrating market process, is that the Austrian argument, too, is jeopardized.)

Although most contemporary Post Keynesians would retain the role of formal axiomatic theory, they reject the methodological individualism associated with all facets of neoclassicism, and would consider (non-Lachmann-inspired) Austrian economics a variant of neoclassicism. Austrians still swim in the mainstream, as it were. Post Keynesians display no qualms of using more holistic analysis, and further developing the *aggregative* framework deployed in Keynes's *General Theory*.

Post Keynesian theory focuses on the *rate of investment* and in particular its relationship to *economic growth* and *income distribution*. The rate of investment reflects, in large part, the confidence entrepreneurs have about the future. The more confident, the more likely they will invest in the present. If their expectations are correct, entrepreneurs will become financially successful, they will enjoy higher profits, and thus a

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larger share of National Income. But if their expectations err, a huge waste of resources could result, cascading into economic losses and a pessimistic view of the future. A fall in aggregate demand could occur, sending the economy into mass unemployment (an "unemployment equilibrium"). While Davidson's chapter focuses on the issue of money and uncertainty (the nonergodic hypothesis), Alfred S. Eichner's and Jan Kregel's "An Essay on Post-Keynesian Theory: A New Paradigm in Economics" (chapter 5) provides a more formal survey of the development of Post Keynesian thought on the issues of investment, distribution, and growth, and nicely compares Post Keynesians and neoclassicals.

But the Post Keynesian "paradigm" may not be as homogeneous or internally coherent as Eichner and Kregel suggest. In his "The Nature of Post Keynesianism and Its Links to Other Traditions" (chapter 6), Tony Lawson argues that Post Keynesian theory can move beyond its negative critique of mainstream orthodoxy—and offer a more coherent theoretical *alternative*—by adopting a more self-conscious critical-realist methodology. "If coherency is desirable " states Lawson, and "if Post Keynesians do believe there is a consistent basis to their contributions, it would seem to follow that something very much like the explanation here being provided [i.e., of a critical realist philosophy] has to be accepted." Of course, it remains to be seen whether Lawson's position provides the best route to coherence, and if it will be accepted within the Post Keynesian tradition.

Institutional and Social Economics

Institutionalism developed as a uniquely American variant of economics, particularly with the writings of Thorstein Veblen, John Commons, and Wesley C. Mitchell through the early part of this century. Institutionalists criticized the emerging trend in neoclassical economic theory—especially its deeply *reductionist* methodological individualism. Veblen went so far as to charge Carl Menger as offering an exemplary hedonistic caricature of "economic man," one reduced to a "lightning calculator of pleasure and pain," and the consumer as nothing but an "isolated, definitive human datum." Now whether that really fits Menger is still open to debate. But as a loose description, it does capture a core feature of mainstream economic theory.

The real problem, according to the institutionalists, is the neoclassical concern with equilibrium. Neither individuals—properly understood as social actors—nor institutions matter in general equilibrium. For a century now, institutionalists argue that economics must become an *evolutionary science*. Thorstein Veblen called for an evolutionary science back in 1898, in his "Why Is Economics Not an Evolutionary Science?"

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Walter Hamilton followed suit in his "The Institutional Approach to Economic Theory" (1919). Veblen argues that economics had dragged years behind the natural sciences, because the natural sciences had already become evolutionary (most particularly, the biological sciences). Economics, however, was (and still is) concerned with developing a model based on equilibrium. Instead (and not unlike the others discussed above), institutionalists focus on the *processes* of change rather than an abstract equilibrium state. At best, standard economics assumes certain institutions are simply *given* in the theory. If economics is to be a science, it must explain the process by which institutions appear, persist, and fade away. For example, private property rights—an apparent "foundation" of the market system—are given by neither economics nor natural law. Instead, they are more like human artifacts that are explained through the interplay of profits, politics, and power. To understand the complex chains through which economic processes occur, institutionalists call for a sophisticated *methodological holism* that accounts for the behaviors of both individuals *and* groups.

Moreover, (and here's where institutionalists would differ from Austrians and some aspects of Post Keynesian theory), institutionalists argue that the concept of *the* market (or *the* economy) is a chimera. Market institutions are *embedded* within a panoply of social, cultural, and political institutions, and markets shape, and are shaped by, institutions. To isolate and analyze something called the market (examples: the mainstream perfectly competitive model, the sectoral, aggregative models of Keynesian economics, the Austrian theory of the market as a purely entrepreneurial process or the dialectical materialism of orthodox Marxism) is a highly, misleading scientific abstraction, and an ideological confusion. The market, in the institutionalist view, is neither a coherent, self-regulating system in itself nor the primary vehicle that allocates scarce goods and resources. *Power structures* (such as the always evolving distribution of wealth, property rights, technology) play an even greater role in the allocation of resources.

Which leads us to another feature of institutionalism. Institutionalists generally agree that the method and concepts of economic theory are neither *universal* nor *ahistorical*. Nor are they *value free*.

This cuts to the bone of mainstream theory.

This is not to say that all institutionalists reject a deductive methodology, or are blind empiricists seeking to describe the facts of the real world without the aid of theory (although some institutionalists have leaned in that direction). Some institutionalists, such as Commons and his students, interpret their efforts as offering an empirical complement to mainstream theory. Others such as Veblen, Ayres, and

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their descendants, see institutionalism as a radical alternative to mainstream preoccupations. As a group, institutionalists take a more *pragmatic*, problem-centered approach to economics, and do not shy away from equating institutional economics with a body of knowledge spearheaded toward social and political change.

Of course, this says nothing of the so-called New Institutionalism that has come to the fore in recent years, whose roots are found in the neoclassical property-rights literature, and in Oliver Williamson's work on the organization of firms, and, to a lesser extent, on Hayek's notion of spontaneous order. Geoffrey M. Hodgson offers a readable comparison of the New Institutionalism against the "old" American tradition in his "Institutional Economic Theory: The Old Versus the New" (chapter 7). Hodgson argues that the New Institutionalism still clings to the mainstream's overly reductionistic and naive individualism, and therefore it is tainted with the ideology of classical liberalism. It offers no significant *alternative* to neoclassicism: the bulk of the New Institutionalism still carries "the enduring hegemony of Walrasian and Marshallian ideas in economic theory," while the lesser-developed Hayekian branch, although emphasizing the market as a discovery process, is nevertheless still anchored in the "fundamental assumptions of neoclassical liberalism." Hodgson argues that the New Institutionalism has failed to answer Veblen's critique of the assumptions of mainstream theory.

Hodgson's chapter nicely juxtaposes old, or American, institutionalism with the new neoclassical interest in property rights. But there's more to consider. Institutionalism is a multifaceted, century-old tradition, which shades into other research agendas, including those of social economics and radical political economy.

William R. Waters's "Social Economics: A Solidarist Perspective" (chapter 8) provides a clear discussion of the concerns of social economists, backed with a solidarist social philosophy and institutionalist theory. (Social economics itself can be traced back to two rather different sources: Friedrich von Wieser's 1914 book of the same title, *Social Economics*, and much more so to Pope Leo XIII's 1894 encyclical, *Rerum Novarum*, which inspired the founding of the Catholic Economic Association, later merged into the Association for Social Economics.) Today, social economics draws scholars from several schools of thought, generally united by the earthly goal of improving material comfort and human dignity. While economists in the Social Economics tradition are united more by social-political purpose than by an underlying theoretical perspective, Waters's chapter nevertheless offers a highly readable application of institutionalism's focus on innovation, technology, and financial and legal institutions. He is especially instructive

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in his discussion of the ever-changing face of property rights, using the Mondragon experiment in economic democracy as a case in point.

But institutionalism also carries a radical bite, as attested by William M. Dugger's and Howard J. Sherman's "Comparison of Marxism and Institutionalism" (chapter 9). Dugger, a leading proponent of radical institutionalism (as compared to, say, the more liberal institutionalism associated with the writings of John Commons, Wendell Gordon, and others, including Waters's chapter above), and Sherman, a Marxist, compare and contrast the radical institutionalist project with that of contemporary Marxism, each addressing their School's approach to structural relationships in society, the role of individuals and class, technology and ideology, the nature of sociohistorical evolution, and the status of social scientific theory. The authors find that there is some agreement on studying society as an evolutionary process, equipped with a methodological holism, but they disagree over the nature (or relative weight of) *power* and *class*.

This chapter offers a fine introduction to both radical institutionalism and Marxian political economy.

Radical Political Economy

But, considering the recent collapse of one socialist regime after another, isn't Marxism dead?

Not according to our next group of contributors.

Jack Amariglio and David F. Ruccio, in their "Postmodernism, Marxism, and the Critique of Modern Economic Thought" (chapter 10), argue that *modernism* is crippled and dying, not Marxism per se. Amariglio and Ruccio criticize neoclassical economics for its modernist impulse, one which prefers scientific modeling based on order, a centered subject, and certainty, and they propose a *postmodernist* approach which emphasizes the possibilities of *disorder*, *decentering*, and *uncertainty*. Amariglio and Ruccio write that, "while modern economic thought may not entirely discard—and may even relish the challenge of theorizing disorder, decentering, and uncertainty—it does so in the conceit that these elements are, in the end, superseded by the discursive ordering and analysis that are presumed to make up modern scientific activity." This is true of mainstream theory, and of some elements of Post-Keynesian theory (which the authors also take to task). One could add that the Austrian School might be open to their charge as well.

But the real purpose of the chapter is to reinvigorate Marxism and free it from the constraints of its *own* modernist presuppositions—a terribly difficult task! The authors state that they "do not think that modernism has done Marxism proud since, to our mind, it has built up a

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theoretical edifice with political consequences that are questionable." Moreover, the modernist features of Marxist political economy "has overemphasized both the existence of disorder in capitalism and the negative consequences of the types of disorder that arise there," while "it has exaggerated the orderly nature of socialism, and especially of planning, and has viewed as unduly positive the consequences of such order." Instead, the postmodern Marxism proposed by Amariglio and Ruccio embraces radical uncertainty so much that the "teleological laws of motion" of capitalism, the inevitability of emancipatory revolution, and the superiority of central planning (compared to markets) is all open to serious questioning. They conclude that "the totalizing promise of rational centralized planning is a modernist one. The declared partiality, relativism, and uncertainty of planning is, in contrast, postmodern."

This chapter is, admittedly, challenging to read, but it is well worth the effort.

Postmodern or not, the Marxist critique of capitalism still depends in part on some vision of an *attainable* alternative. Thomas E. Weisskopf's chapter, "Toward a Socialism for the Future, in the Wake of the Demise of the Socialism of the Past" (chapter 11) offers a readable account of the practical project of radical political economy in light of the unprecedented collapse of socialist governments in 1989. Weisskopf explores market socialism and participatory socialism as potential alternatives, which, in itself, serves as a good introduction to these models. Weisskopf ultimately favors a market-based socialism, one which emphasizes democratic, self-managed political and economic institutions.

New Philosophical Issues

Most economists follow George Stigler's professional advice: Don't think about methodological or philosophical issues until you retire. Mainstream economists are taught to do economics *first* and philosophize *last*, if at all.

Like that Nike add, we're told to *just do it*.

But there's no such thing as doing economics without philosophy. (And, alas, even Nike sells a philosophy.) With the growing disenchantment of mainstream positivism—emphasis on operational, "as if" assumptions such as *homo economicus*, its attempt to predict rather than understand, and so on—there's now an astonishing dialogue over the philosophy and methodology of economics. Part V therefore turns from particular schools of economic thought to some general philosophical issues.

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For example, Frances R. Woolley's "The Feminist Challenge to Neoclassical Economics" (chapter 12) questions the simple rational choice model embodied in the *homo economicus* assumption. Her chapter offers a readable introductory survey of the feminist critique of neoclassicism. Although less than a decade old, feminist economics attempts to document the difference between the welfare of men and women, promote policies to reduce gender-based inequities in income and leisure time (for example), and offer a theory free from androcentric biases. A feminist methodology, Woolley concludes in her survey, is "first and foremost, a focus on economic justice between men and women, which unifies an otherwise disparate literature, and gives a compelling motivation for continuing to challenge traditional economic thinking."

But doesn't this unnecessarily complicate mainstream modelling? Despite the cries of the less-than-mathematically-adept, neoclassical economics is heralded as being theoretically simple and straightforward. The standard rational choice model isn't championed for its descriptive *realism*, but rather its *predictive* power, and with that, its committment to the law of parsimony. Hence, the title alone of Albert O. Hirschman's "Against Parsimony: Three Ways of Complicating Economic Discourse" (chapter 13) is sacrilegious. Influenced in part by Amartya Sen's work on metapreferences, and reconsidering his own illuminating notions of "voice" and "exit" options within the workplace, Hirschman's paper undergirds a theme of Woolley's previous chapter: economics can become more powerful, if more complicated, by incorporating endogenous (rather than "given") preferences, and especially a richer, truer concept of *self* (something far beyond a set of indifference curves). According to Hirschman, the profession's focus on formalism and prediction carries a high cost: greater realism and better *understanding*.

According to Warren J. Samuels, the role of economic theory for social control and prediction is all too often shrouded in ideology, particularly at the level of policy advocacy. While the two previous chapters provide a radical criticism of the traditional rational choice model, and its corresponding welfare standard based on Pareto optimality conditions, Samuels' "The Methodology of Economics and the Case for Policy Diffidence and Restraint" (chapter 14) carries the critique all the way to the level of policy espousal, one of the primary occupations of economists (and of course the focus of much heated disagreement in the media). "The supreme irony resident within economics," Samuels writes, "is that we tend to adopt an official positivist methodology which presumes that the economy is independent and transcendental to man, as is in part the case with the physical and

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chemical world, while at the same time we seek policy implications and recommendations—to make or to influence policy—which presume that the economy is not independent and transcendental to man and which have the effect of contributing to the (re)production of the economy." Samuels challenges the mainstream claim that economic policy can be conducted in an objective, value-free, and optimal manner. Instead, Samuels concludes, "True scientific and scholarly spirit requires considerable diffidence and restraint by economists."

The final chapter of Part V, Arjo Klamer's and Deirdre (previously Donald) McCloskey's "The Rhetoric of Disagreement" (chapter 15) provides, in effect, a postscript to the book's previous chapters. Written as a fictional dialogue between the two authors, it offers an example of the rhetoric of modern economics, and, especially, a plea for openness and respect.

A Final Word

This book borrows, without apology, the title *Why Economists Disagree* from Friedman, Machlup, and Thurow. Although I share their concerns, I also believe that the Friedman-Machlup-Thurow answer, trickled down to today's textbooks, is based more on faith than economists care to admit. I hope this book serves as both an introduction to the alternative schools of thought *and* as a challenge to that prevailing faith.

In the chapters that follow, our authors criticize mainstream economics while they attempt to construct theoretical alternatives, and thereby offer views of mainstream economics from unique angles and interpretive spectacles. If you're already a dyed-in-the-wool neoclassical economist and you've come *this far* in the book, the following chapters may expose you to previously unreflected or taken-for-granted features of neoclassical theory, and on that basis alone it may make you a better neoclassicist. You may find, for instance, that the traditional interpretation of why economists disagree is more problematic than you first thought. At the very least, you'll find out what all the commotion is about.

If you're already a student of one of the alternative schools of thought, you'll perhaps find some common concerns, criticisms, and grounds for dialogue among the other heterodox schools. And if you're fairly new to economics, having successfully passed your core micro and macroeconomics courses, well . . . get ready for yet another ride.

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Notes

1. Milton Friedman, "The Methodology of Positive Economics," in his *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953) and *idem.*, "Why Economists Disagree," in his *Dollars and Deficits: Living with America's Economic Problems* (Englewood Cliffs, NJ: Prentice-Hall, 1968), pp. 1–16. Fritz Machlup's "Why Economists Disagree," *Proceedings of the American Philosophical Society*, vol. 109 (February 1965) makes essentially the same argument as Friedman. The interested reader can find it reprinted in Machlup's *Methodology of Economics and Other Social Sciences* (New York: Academic Press, 1978), pp. 375–89. Because Friedman's argument covers much the same ground as Machlup's, and was more widely disseminated, I shall focus more on Friedman's.

2. Lester Thurow "Why Do Economists Disagree?," *Dissent* 29 (Spring 1982), pp. 176–82.

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