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## THREE ARGUMENTS FOR PLURALISM IN ECONOMICS

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For most mainstream economists, of course, there is only one way to do economics. It requires the construction of a model, collection of relevant data and subsequent testing. The model itself must be consistent with the fundamental principle of methodological individualism: that is to say, it must be based on the assumption of optimising behaviour by rational agents. The tests must employ the most advanced econometric techniques rather than – or at least in addition to – descriptive statistics. For the defenders of mainstream economics these simple rules are what make it a science, which is envied and increasingly imitated by the practitioners of less favoured disciplines in the areas of management and social studies (Lazear, 2000).

This is a seductive story, and it is widely believed, inside and outside economics (Fine, 2000). When applied to the more disreputable branches of business 'thought' there is probably something to be said for it. If, however, it is taken as mandating the liquidation of sociology, political theory, social psychology and anthropology as autonomous bodies of scholarly knowledge it is obvious nonsense. As a methodological prescription for economics it is, to say the least, very questionable. In what follows I examine three counter-arguments, each making a different case for pluralism in economic thought. Two of the authors I cite are followers of the Cambridge economist Piero Sraffa, one is an institutionalist, and two are Post Keynesians. None of them is known as a

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political economist, *tout court*, but I suspect that they would not recoil from the label if it were applied to them.

Apart from Pierangelo Garegnani, Heinz Kurz and Neri Salvadori are the two most prominent and tenacious defenders of modern-day 'classical' economics, by which they mean the study of the laws governing the pace of accumulation and the way in which output is distributed between the social classes, by means of a rigorous long-period analysis of a competitive capitalist economy. In a recent collection of essays they turn, rather surprisingly, to the defence of pluralism. Economic reality, they note, is widely believed to be very complicated. The questions that economists ask are therefore inherently difficult, and it is unlikely that they have simple answers. Since no theory can consider all relevant factors in any particular economic context, there is a strong *prima facie* case for theoretical pluralism. Different theories will often be complementary rather than alternative, so that 'to seek dominance for one theory over all the others with the possible result that all the rival theories are extinguished amounts to advocating scientific regress. To paraphrase Voltaire: in a subject as difficult as economics a state of doubt may not be very comfortable, but a state of certainty would be ridiculous' (Kurz and Salvadori, 2000:237). Even classical theory has its limits. Kurz, in particular, has long acknowledged that it must be married to Keynesian macroeconomics if a comprehensive understanding of capitalist society is to be attained (Kurz, 1990).

In his latest book the well-known institutionalist Geoff Hodgson argues that the notion of a single, 'general' theory applicable to human behaviour in all societies, at all points in time, is a dangerous delusion that has led astray not only neoclassical economists but also many heterodox theorists. Failure to appreciate the need for historical specificity in economic theorising has not only blighted the work of several generations of general equilibrium theorists, but also reduced the analytical achievements of some of their most vocal opponents, including Clarence Ayres, John Maynard Keynes and Joan Robinson. One does not have to agree with all the names on Hodgson's charge-sheet (see King, 2002) to accept the truth of his contention that 'there are several problems with general theorizing in the social sciences. One is of analytical and computational intractability. Facing such computational

limits, general theorists typically simplify their models, thus abandoning the generality of the theory. Another related problem with a general theory is that we are confined to broad principles governing all possible structures within the domain of analysis. In practice, a manageable theory has to confine itself to a relatively tiny subset of all possible structures. Furthermore, the cost of excessive generality is to miss out on key features common to a subset of phenomena' (Hodgson, 2001:16). His own proposal for the reconstruction of economic theory, putting the history back, is innately and profoundly pluralistic (*ibid*:chapters 18-23).

The Post Keynesians Victoria Chick and Sheila Dow make an equally powerful, if largely implicit, case for pluralism in their penetrating analysis of what is implied by mathematical modeling in economics. Formalising an argument is not, they suggest, an unambiguous improvement, as neoclassicals believe. On the contrary, it is a matter of costs and benefits. Formalism entails a particular view of the world, namely that it displays event regularities strong enough for it to approximate to a closed system. It also requires that the meaning of economic terms be fixed rather than context-specific, and that these terms are separable rather than internally related. If these assumptions are rejected, classical or formal logic is inapplicable and Keynes's 'ordinary logic' may be needed in its place. Ordinary, common-sense or human logic 'generates knowledge which is imperfect, partial or vague', and provides 'reasoned grounds for belief which are nevertheless not conclusively demonstrable' (Chick and Dow, 2001:711, 714). Economic statements may therefore be true in some historical and institutional circumstances, but false in others.

Here Chick and Dow share common ground with Hodgson, since their argument casts doubt on 'the possibility of finding immutable laws applicable to, say, feudalism and capitalism alike, or even to capitalism in various stages of its development. From this perspective, a theory can be "right" at one time and become "wrong" (more accurately, outdated) at another. The notion of imbuing a closed theoretical system with meaning is thus not an objective procedure; it requires the exercise of judgement' (*ibid*:709). In this way their critique of formalism leads them to pluralism, not just in substantive theory but also in method, since Keynes's ordinary logic 'supports a methodology which encompasses a

range of methods in order to build up knowledge' (*ibid*:719; *cf.* Dow, 1997).

Note that Chick and Dow do not completely deny the legitimacy of formalism in economics, in all circumstances, for all purposes. On the contrary: some problems lend themselves to closed-system thinking and cry out for precise, formal solutions. They argue only that it is a serious mistake to suppose that all economic problems are of this type. They would certainly disagree with Kurz and Salvadori on the size of the contribution that can be expected from formal reasoning. The two *Sraffians*, Kurz and Salvadori, follow Garegnani in placing great emphasis on the so-called 'core' of classical economic theory, which consists of propositions that can be established with certainty about the relationships between inputs, outputs, prices and distributional variables in a closed economic system where the same rate of profit is paid in all industries (Kurz and Salvadori, 1995). The two Post Keynesians, Chick and Dow, see very little point in exercises of this type, while Hodgson, the proponent of institutional economics, seems to deny their validity altogether. Certainly he shows no sympathy for those self-proclaimed institutionalists who use prey-predator models, chaos theory and similar sophisticated mathematical tools derived from the biological sciences.

If pluralism does not (quite) rule out formalism, what does it exclude? Unqualified relativism, for one thing; logical incoherence, for another. Hodgson is the most outspoken in denying that 'anything goes', and the most sternly critical of postmodernist claims in this regard. An acceptable policy of pluralism, he suggests:

...concerns the policy of institutions towards the funding and nurturing of science. Such a policy involves "pluralism in the academy". But it would not extend to the individual practices of science itself. This confusion, between encouraging contradictory ideas in the academy and encouraging them in our own heads, is widespread in post-modernism....There is much to be said for tolerance of many and even antagonistic scientific research programmes within an academic discipline or university. But we should not tolerate the existence of inconsistent ideas within our own heads. The policy towards science must be pluralistic and tolerant, but science itself must be intolerant of what it regards as falsehood...Any failure of social science to erect an adequate and

coherent general theory is not rectified by applauding incoherence (Hodgson, 2001:35).

Horses for courses, as Geoff Harcourt has always put it (see Comim, 1999), but they must each have four legs and a jockey and proceed anti-clockwise around the course.

Sheila Dow has also defended the principle of consistency against its postmodernist and constructivist opponents. Thus she proposes that a clear distinction be drawn between 'pure' and 'modified' pluralism. To be a pure pluralist entails 'a refusal to appraise methodologies and thus also [a refusal] to advocate one method rather than a plurality'. This, she maintains, offers 'no scope for scientific (or indeed any) discourse'. According to modified pluralism, however:

'no one system of knowledge can claim to have captured reality; each is partial, reflecting one vision of reality. Each school can support its approach to knowledge with reason while recognizing the legitimacy of alternative approaches....World-view and theory of knowledge cannot be eradicated; yet recognition of differences at this level allows for more reasoned debate over appraisal criteria and analysis of different methodologies' (Dow 1996: 45-6).

Kurz and Salvadori also insist on the need for logical consistency in economic theorising. For them this criterion is enough to rule neoclassical analysis out of the race, since its conception of capital is fundamentally flawed. If the 'principle of substitution' is central to mainstream theory, they argue, it should be applied in a logically consistent manner. In the long period, this means that an increase in the price of one input induces a decrease in the quantity of that input per unit of output. 'All propositions of the theory can be traced back to this basic idea. If it is not true in general, the theory appears to be in trouble' (Kurz and Salvadori, 2000:238). But it has been known since the mid-1960s that it is, in general, false when applied to the collection of heterogeneous commodities known as 'capital'. From a quite different perspective, the Post Keynesian Paul Davidson has criticised what he terms the 'babel' of New Keynesian economics, in which market imperfections that prevent downward price and wage flexibility are

denounced as the fundamental cause of involuntary unemployment, while in the same breath a falling price level ('deflation') is decried as a serious macroeconomic evil (Davidson, 1999; compare Solow, 1997 and Taylor, 1997 for graphic examples of this incoherence). Horses for courses, once again, but all four legs must be pointing in the same direction.

No single case for pluralism in economics emerges from this brief discussion, and indeed it would be a cause for concern if one had. Similarly, there is no single version of 'unscientific' heterodox economics to stand in opposition to mainstream economic 'science'. Sraffians, institutionalists and Post Keynesians do quite different things, often in radically different ways – as do Marxists, social economists, feminists, greenies and other schools of political economy. As Abbie Hoffman is supposed to have said, in the course of the 1968 Chicago conspiracy trial: 'Conspire? We couldn't agree on lunch'. But they did agree to keep on talking, which in the last resort is what pluralism is all about.

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