Ethical and economic thought in Britain during the late nineteenth century was marked by the conflict between utilitarianism and idealism. Thomas Hill Green (1836 — 1882), calling on his contemporaries to close their Mill and Spencer and to open their Kant and Hegel, launched the idealist movement. Much of twentieth century liberal thought is rooted in British idealist philosophy.

John Stuart MacKenzie (1860 — 1935) was the member of that philosophical school who challenged the utilitarian foundations of economic thought. In An Introduction to Social Philosophy, MacKenzie summarized Aristotle’s four methods of explanation in scientific inquiry:

1. The Natural History Sciences, which simply investigate the constitution of things as they stand, whether at particular moments or throughout a succession of moments;
2. The Exact Sciences, which concern themselves with the analysis of concrete phenomena into their elementary principles, and thus supply us with the means of estimating the tendencies of change;
3. Metaphysical Science, which deals with the fundamental principles of knowledge and of being as known;
4. Teleological Sciences, which investigate the Good, the end or ideal which reference to which things exist....The first [method] seeks the attainment of knowledge; the second, of understanding; the third, of insight; and the fourth, of wisdom (1895, 25 — 26).

Mackenzie concluded that the study of social life might also employ four methods. A “Natural History of society...would treat social life simply as one fact among other facts in the world, tracing its development from stage to stage, without considering either how or why it is what it is, and without analyzing the tendencies which are in operation at the various stages of its growth” (ibid., 29).

Secondly, a “Mechanics of society”, which “would resolve social life at particular periods into its ultimate elements, and trace the direction and estimate the force of the lines of progress it contains” (ibid.). The third, a “Metaphysics of society...would investigate the meaning of social life as necessarily following from the nature of man and from the nature of the world as a whole” (ibid.). Finally, a “Logic of society” which “would consider its meaning as having reference to an end or ideal” (ibid.). “The respective provinces of...the method of induction and of deduction...are primarily concerned with the natural history of society and the mechanics of society respectively” (ibid., 30).

Turning to economic science, MacKenzie was convinced that the opposition between the historical school and the deductive school of economics “is not one between rival economic systems, either of which might stand by itself; but only between two elements in the science of Economics, which are both essential to a thorough study of it...” (ibid.). Drawing from Kant, MacKenzie said that “Economics without history would be empty; but without analysis it would be blind” (ibid.).

In fact, he deemed that there are three elements in the science of economics. MacKenzie’s three elements, or methods, of economics are treated in his paper, “The Relation of Ethics to Economics”, which he read at the 1892 meeting of Section F of the British Association: “(1) The historical method, considering what is and has been. (2) The analytical method, investigating what tends to be. (3) The moral method, endeavouring to discover what ought to be” (1892, 837).

In his 1895 book, MacKenzie explored these three methods within the broader perspective of social philosophy. First, “Economics may be treated as a historical science, dealing with society as a growing organism, and showing the relations of its different stages in their development...[this method is] entirely a posteriori and matter-of-fact” (1895, 59). Second, as an analytical science, economics “may be treated as a purely abstract science, concerned with the laws of the production, accumulation, and distribution of material wealth” (ibid., 58). Such an approach is entirely hypothetical and a priori” (ibid., 59). MacKenzie’s third method, the moral or ethical method, was to be employed in combination with the other two sciences. Here “Economics may be treated as a practical science or art for our guidance in the actual affairs of life” (ibid.). The difference between this method and the previous two is that treating economics as such an art necessarily involves “a certain conception of an end” (ibid.).

I have reviewed MacKenzie’s contributions to economics in my article “The Relation of Ethics to Economics”: J. S. MacKenzie’s Challenge to Neoclassical Economics, which appears in the Fall, 1989 issue of the Review of Social Economy.

SOURCES

Book Notes
Alan Wong
Hong Kong Institute of Economic Science

The Consequences of Economic Rhetoric

This book is a collection of essays presented or discussed at a conference held in 1986 at Wellesley College, USA on the “Rhetoric of Economics”. The conference, attended by about thirty economists, economic journalists, rhetoricians, philosophers, a political scientist and a literary theorist, was held to pursue the various interesting themes appearing in McCloskey’s Rhetoric of Economics (1986), which expands on his 1983 Journal of Economic Literature article of the same title, and Klamer’s Conversations with Economists (1983).

In the past several years a new “conversation” about economics that aspires to displace the dominant, positivistic view is emerging. It attempts to alter our understanding of the reality by calling attention to the discursive aspects of economics, more particularly to its rhetorical forms, e.g. the use of metaphors and story-telling in the explanation of economic activities. As regards the importance of this new conversation, the three writers are not in full agreement. McCloskey and Klamer lend it unqualified support. Solow, however, endorses the project with some reservations. McCloskey and Klamer, in his view, are doing a useful service to the economics profession by deflating the “pompous methodology of economics as a science”. Nonetheless they are in danger of “going too far”. Solow’s article, which appears in Part I of the book, espouses his own method of economic analysis as “wholesome eclecticism”. The alternative to positivism or empiricism is not relativism, he argues. Some methods of persuasion are more worthy than others. For instance, formal statistical evidence is better than anecdotes, and logical or mathematical deduction from explicitly stated assumptions is better than assertion, affusion, suggestion or rough analogy.
The book is divided into five parts. In Part I, McCloskey and Klammer outline the main themes of the Rhetoric of Economics while Solow explains his qualified support for the new "conversation" in economics and his personal methodological standpoint. Stanley Fish, a professor of English and Law at Duke University, gives a literary theorist’s view of the new conception in economic methodology. He stresses, among other issues, the constraints that an audience, or interpretive community, imposes on the reading of a text. There is also an article written by Robert L. Heilbroner on rhetoric and ideology. He considers that the deepest problem of economics is not its failure to shake off an obsolete and damaging rhetoric but its failure to recognize the inescapably ideological character.

In part II further arguments are provided for the rhetoric of economics. Stephen Resnick and Richard Wolff (University of Massachusetts) inform the readers that in Marxian economics the epistemological positions are similar to those in the mainstream positivism/empiricism vis-a-vis rationalism/apriorism. Their own position, which is rooted in the over-determinist or anti-essentialist methodology developed by Lukes and Althusser, is similar to the rhetorical position as developed by McCloskey and Klammer.

In this part, A.W. Coats writes on the social and historical context of economic rhetoric. He feels that the concepts of rhetoric, conversation and persuasion are not sufficiently clear, precise and comprehensive. He suggests how a more direct and conventional sociological approach can add depth and content to the Klammer-McCloskey campaign. His own standpoint is that the study of the discourse of rhetoric of any science or scholarly discipline is and should be treated as subordinate to the study of its intellectual content and the social and historical context in which it occurs. Robert W. Clower, writing on the ideas of scientists and economists in particular, emphasizes the following points: the deceptiveness of appearances as a guide to rational understanding of observed events; the fictitious nature of the stories scientists tell; the dependence of scientific enquiry upon agreed ground rules for analysing and communicating ideas about experience; and the crucial role the informal conceptual elements (scientific parables) play in scientific explanation. In his view, the greatness of Adam Smith’s accomplishment lies in the fact that he was able to think away extraneous complications and perceive an order in economic affairs that commonsensical could never reveal.

Hed Adam Smith adopted a positivist methodology, he would not likely have been able to suggest the existence of a "grand design" in economic affairs similar to that which Newton had earlier shown to exist in the realm of physical phenomena. The other article in this part is written by Cristina Bicchieri (Philosophy of Science, University of Notre Dame) who argues that models and metaphors are an integral part of science that help in structuring the primary system, allowing one to deal with it in a manageable way and to explain some of its features. In addition, by providing something like a linguistic extension and a new vocabulary they introduce new predicates in the domain of the primary system, allowing new predictions to be made. Mathematical models are metaphorical; they help us understand phenomena in spite of their fictitiousness because of their cognitive content.

Part III is about economic rhetoric among economists. Philip Mirowski (Tufts) writes on the nature of neoclassical economics, mathematics and rhetoric, arguing that neoclassical economics started on the wrong analogical foot by taking nineteen-century physics as its exemplar. E. Roy Weintraub (Duke) applies the techniques of rhetorical analysis to study the concept of equilibrium. Frank T. Denton (McMaster) explores the rhetoric of econometrics, particularly statistical hypothesis testing in economics. Heidi Hartmann and Nancy Fobbe (Massachusetts) examine the rhetoric of self-interest and the ideology of gender in economic theory.

Economic rhetoric in politics and journalism is the theme of Part IV. Here Crawford D. Goodwin (Duke) illustrates the heterogeneity of the economists' discourse; James K. Galbraith (Texas), formerly executive director of the Joint Economic Committee, reflects on the effectiveness of economic rhetoric in the political arena; Robert O. Keohane (Harvard) views the subject as a student of politics; and David Watsh (Boston Globe) comments from a journalistic perspective.

In the last section of the book, Part V, Klammer and McCloskey give the reader, respectively, their latest thinking on the rhetoric of economics in light of the various points raised during the conference. This book should not be missed by anyone interested in the latest development in economic method.

In the United States

A conference on "Economics, Truth and Logic. The Impact of Logical Positivism on Economics" was held on March 4, 1989 at the University of Madison-Madison with Daniel Hausman and Margaret Schabas as chairpersons and Michael Friedman, Neil de Marchi, Bradley Bateman, and Donald McCloskey as speakers. A special address and commentary was given by Terence Hutchison. This conference was co-sponsored by the Departments of Economics, History of Science, and Philosophy of the University of Wisconsin-Madison.

Robert D. Cooter
University of California, Berkeley

In Finland

The organisers (Bo Gustafsson of SCASS, Christen Knudsen of Copenhagen School of Economics, and Uskali Mäki of University of Helsinki) planned to edit the SCASS conference papers (Methodological Foundations of Neo-Institutional Economics mentioned by Brian J. Loasby above) into a book tentatively entitled Rationality, Institutions, and Economic Methodology, to be published by Sage European.

Moreover, the Finnish Society for Economic Research organised symposium on "The State and Prospects of Economic Methodology" on August 21, 1989 in Helsinki, Finland. Papers were given by Bruce Caldwell ("Economic Methodology: Rationality Foundations and Prospects"), Wade Hands ("Thirteen Theses on Progress in Economic Methodology"), and Uskali Mäki ("Methodology of Economics: Complaints and Guidelines"). Revised versions of the papers will be published (in English) in the newly founded Finnish Economic Papers.

Uskali Mäki
University of Helsinki
In Australasia

The 1989 conference of the Economic Society of Australia was held in July at the University of Adelaide, but it was not an occasion dominated by interest in the subject of method. It was very largely a gathering of mainstream neoclassical economists and econometricians: very few Post-Keynesians appeared to have found it worthwhile to attend (that there are quite a large number around in Australia was revealed by the success of a one-day conference on Post-Keynesian economics organised by Peter Kriesler at the University of New South Wales in October 1988); and attempts by Luigi Ermini of the University of Sydney to organise a session on behavioral economics were abandoned due to a lack of interest.

The conference actually began on a promising method-oriented note, with David Laidler’s keynote address “The Quantity Theory is Always and Everywhere Controversial — Why?” Laidler’s verdict was that the longevity of the quantity theory is due to (a) its remarkable capacity to absorb the good arguments of its critics (for example, concerning the issue of what is or is not money) and (b) its capacity to deal with questions concerning the timing of data, particularly their relationship to the idea of reverse causation. He recognised that there was a danger in research programmes being so flexible as to be vacuous rather than ‘progressive’ (in the sense of being capable of fruitful modification), but concluded that the quantity theory has ‘remained on the right side of this line, inasmuch as its central propositions about the influence of money on the price level have always continued to follow from its modified versions’.

The other sessions that I found of interest in terms of method were on experimental economics and the teaching of economics. In the case of the former, the discussions did not centre on method, for we were intrigued by the actual conduct of the experiments being outlined by members of the Australian Centre for Experimental Economics at the University of Adelaide. I was left feeling that the profession needs to consider more widely the role of this approach to the subject. The session on economics teaching juxtaposed papers on ‘Computer Managed Learning and Teaching University Economics’ (J. Stanford, University of Queensland) and ‘The International Economy: Using the Techniques of Teaching Economic History to Teach Economics’ (B.J.G. Thompson, University of Waikato, Hamilton, New Zealand). The combined discussion of these papers raised many of the issues that I find surfacing time and again in my own debates with colleagues.

Computer aided assessment methods appear to be difficult to reconcile with an open-minded, debate-driven approach to economics; they ease the marking burden at the cost of producing new generations of students who believe they are being provided with a toolkit that produces deterministic solutions. These methods also fail to develop the kinds of research and essay/report writing skills that are promoted by Thompson’s approach, which reverses the convention of teaching theory before application and instead starts with the real world and then uses theory as and when necessary to explain what has happened. The historian’s method for teaching offers a bigger guarantee that one will not produce students who are technically adept but incapable of using their economics to understand what is going on in the world.

It is worth noting that the 1989 Conference was probably the first time that many Australasian economists came to hear of the newly established Centre for International Research on Communication and Information Technologies. In the early 1990s, it is probably going to be at CIRCIT, rather than in university departments of economics, that much of Australia’s work on knowledge-oriented approaches to economics will happen. Anyone interested in further details of the centre, or in visiting it, should write to either the Director, William Melody, or the Deputy Director, Don Lamberton, at CIRCIT, 4 Byrne Street, South Melbourne, Victoria 3205, Australia.

Finally, some members of the Network may be interested to hear that David Harper, a research economist at the New Zealand Institute of Economic Research (PO Box 3479, Wellington, New Zealand) is working on a thesis partly concerned with the methodologies used in practice by entrepreneurs, particularly with whether the falsificationist methodology is inappropriate for entrepreneurial problems. He has a working paper available on this theme for those who might be able to offer expert comments.

Peter Earl
University of Tasmania

In Sweden

Along with three other founding members, Uskali Mäki, Bruce Caldwell and Donald McCloskey, I was among some three dozen participants in an international conference hosted by the Swedish Collegium for Advanced Study in the Social Sciences from August 16 to 19, 1989 at Fritsbergh Manor, on Lake Malaren, near Uppsala (where the Collegium is located).

The Collegium (usually abbreviated to SCASS) was founded in 1985 by the Swedish Council for Research in the Humanities and Social Sciences and the Swedish Council for Planning and Coordination of Research to “support and conduct multidisciplinary scientific research on society with a focus on theoretically innovative basic research and the adoption of comparative approaches and long-term perspectives”. Of its current research themes, that most clearly — though not exclusively — related to economics is Property Rights, Organizational Forms and Economic Behavior. Work on this theme inevitably raised questions both about the appropriate methods of advancing economic knowledge and about the knowledge which might reasonably be attributed to members of organizations; and it was therefore decided to organise a conference on epistemological and methodological issues, with some emphasis on the analysis of institutions. Participants came from Sweden, Finland (the largest two groups), Norway, Denmark, the USA and Britain.

Nineteen papers were presented, most having been distributed in advance. The opening presentations were by Network members Bruce Caldwell, on “Economic Methodology: Rationale, Foundations, and Prospects” and Don McCloskey, on “The Storied Character of Economics”. We continued with explorations of methodological difficulties and the social structures of science, analyses of the practice of economists, various concepts of rationality and their implications, and the two-way relationships between evolution and institutions. (I include within this last group papers by economic historians Douglas North and Robert Fogel.)

The program was so tightly packed that we had very little time to reflect on the discussion in each session before we had to turn our attention to the next. However, the value of such conferences depends primarily on their consequences, both in ideas stimulated and in personal contacts developed. Among the ideas which seemed to be important at the end of the conference I would choose the following.

1) Precisely because there is no unimpeachable procedure for demonstrating either the truth or the falsity of any proposition about a real economy (purely logical propositions may be demonstrably valid but their applicability is nevertheless problematic) it is important to think carefully about the arguments we use and the terms we employ. What makes a particular kind of argument effective in a particular context and
within a particular group? What would have to change, within the context or the group, to undermine its effectiveness?

(2) Recognition that the knowledge of economic agents is incomplete, and their computational powers limited, requires great care in specifying "rational behavior". If money and the firm are both institutions for coping with partial ignorance, then the use of conventional models of fully-specified rational choice (including game-theoretic models) in monetary or industrial economics needs to be justified. Justification may not be difficult; but it should not be assumed.

(3) Evolutionary theories need to consider both the processes by which alternatives are generated and the processes of selection. The meaning of "efficient selection" is not obvious in relation to later environments and alternatives, and development potential among the present pool.

(4) The general principles (or "hard-core propositions") that institutions help to frame decisions, but that institutional change is a consequence — sometimes intended, sometimes not — of decisions, can be applied to members of the community of economists, as well as to economic agents. So can the appropriate conceptions of rationality, and explanations and assessments of the choices which economists make, in developing and appraising theories.

Brian J. Loasby
University of Stirling

In the Netherlands


Dutch economic methodologists have informal meetings about five times a year. For information: Dr. Bert Hamminga, Tilburg University, PO. Box 90153, 5000 LE, Tilburg, the Netherlands, phone (0) (13) 662140.

On December 16, 1989, the Dutch Association for Philosophy of Science will devote its meeting to economics and philosophy of science. Prof. Th.A.F. Kuipers, Prof. N.B. de Marchi, Prof. J.J. Klant and Dr. B. Hamminga will be speakers. For information: Dr. D. Dieks, University of Utrecht Department of Physics, PO. Box 80000, 3508 TA Utrecht, phone (0) (30) 51895.

Bert Hamminga
Tilburg University

Editor's Note — The following are excerpts from the Introduction to the Erkenntnis volume written by Balzer and Hamminga:

"Philosophical thought on economics in recent years split up in many different streams, two of which are represented in the larger part of this volume."

"The first of these streams was formed by a group of researchers mainly from middle-Europe, who make empirical studies of the logical structures of the different theories as they find them presented in economic literature. Two methods prevail here. First, the structuralist method, as exemplified in the writings of Sneed, Stegmüller and others, of describing the object of a theory as a set of ("partial potential") models. Such models consist of sets and relationships between these sets, which represent the concepts used in the theory. The method leads to a precise study of the way in which out of the entire class of possible models, the axioms of the theory select those models with which the axioms are consistent. The method involves, in itself, hardly any philosophical a priori: it is applicable to any assertion made with the help of concepts."

"A second approach in the same direction was developed by the Polish scholar Leszek Nowak. His method proceeds from the principle that economic theories, and, indeed, scientific theories in general, do not yield a completely correct description of their objects, nor are they constructed for that purpose. Instead, scientists believe that their laws would hold under certain idealizing conditions. This belief is not tenable directly, since the idealizing conditions are never completely satisfied."

"The second stream, consisting largely of Anglo-Saxon philosophers of economics, is characterized by a less formal style, a different way of choosing problems and of writing about them. Their discussions arose mainly from the normative and epistemological puzzles which one has to face when one tries to apply to economics any criteria for "good" (as opposed to "pseudo") science developed by philosophers of science such as Karl Popper and Imre Lakatos. It seems that many of these criteria plead for a type of economics that does not occur in the real world of working economists, while the types of economics actually practised are in danger of coming out as pseudo-science."
ISINI Announcement

The newly established "International Society for Intercommunication of New Ideas, Inc." (ISINI) is accepting new members at a fee of US$15 with no membership dues for 1989 and offers the opportunity to present a paper at its First Congress in Paris, France on August 27-29, 1990 devoted to the following themes:

I. The Relationship between History (facts, practice) and Theory (concepts, analysis).
III. Socio-Economics for Developed and Developing Countries in Search for Stability, Full Employment and Social Justice.
IV. Methodology of Economics and Other Sciences.
V. Economics and the Arts, Letters and Humanities.
VI. Commemoration of Leon Walras (1834-1910) and Francois Quesnay (1694-1774).

Inquiries should be sent to:
Professor Anghel N. Rugina
President ISINI
145 Moss Hill Road
Jamaica Plain, Mass. 02130 USA

HES NEWS

The History of Economics Society held its 16th Annual Meeting on June 10-13, 1989 at the University of Richmond, Virginia. A number of sessions were devoted to methodology in economics. These sessions and papers presented include the following:

SESSION C-2 Autopoiesis, Dissipative Structures, and Historical Processes in Economics: New Ideas for Historians of Economics

A.W. Coats (Duke and Nottingham Universities), "Introductory Comments";
Michael Hutter (Universitaet Witten/Herdecke, West Germany), "On Economic Theory as a Self-Reproducing Social System";
Kurt Doppel (University of St. Gallen, Switzerland), "The Natural Axioms of Economics".

SESSION D2 Round Table: Should Methodology Matter to the Economist or the Historian of Economics?

Jeremy Stearmer (George Mason University),
Philip Mirowski (Tufts University),
Roy Weintraub (Duke University),
J. Daniel Hammond (Wake Forest University),
Jack Birner (Riksuniversiteit Limburg, the Netherlands).

SESSION F-2 Rhetoric and Metaphor in Economics

Nancy J. Wulwick (California State University, Sacramento), "Maximization and Metaphor: A Comment";
A.M. Endres (University of Auckland, New Zealand), "Adam Smith's Rhetoric of Economics: An Illustration Using 'Smithian' Compositional Rules";
Jerry Evensky (Syracuse University), "Adam Smith, Donald McCloskey, and Rhetoric".

SESSION H-4 Issues in Method

Yuichi Shionoya (Hitotsubashi University, Japan), "Schumpeter on Schmoller and Weber: A Methodology of Economic Sociology or Institutional Economics";
D. Wade Hands (University of Puget Sound), "On the Lakatosian Progress of The General Theory";
John Pheby (Birmingham Polytechnic), "Shackle's Nihilism: a Fresh Perspective";
Bill Gerrard (University of Leeds), "The New View of Science and the Nature of Economics".

SESSION I-3 Further Perspectives on Method

Bruce Pietrykowski (University of Michigan, Dearborn), "Uncovering the Social Dimensions of Market Exchange";
Anghel N. Rugina (Northeastern University), "Why do We Need a Third Revolution in Economic Thinking?";
Charles M. A. Clark (St. John's University, New York), "Economic Theory as Social Thought";
Harold Wolozin (University of Massachusetts, Boston), "The Battle over Human Nature in Economic Doctrine: A Critical Survey".
Call for Membership/Subscription

The International Network for Economic Method welcomes new members and subscriptions to its half-yearly bulletin Methodus. Membership/Subscription fee for 1990 is US$20. Please return the application form below together with a bank draft or money order for US$20 made payable to "International Network for Economic Method".

Application for Membership/Subscription

[Form fields for name, institution, address, phone/fax, date]

Call For Contributions

The second issue of this bulletin will be published in June, 1990. We call for formal and informal contributions in the general area of economic methodology. The deadline for submission is the end of March, 1990.

Please send papers or direct enquiries to:
Dr. Victor Mok
Department of Economics
The Chinese University of Hong Kong
Shatin, N.T.
Hong Kong

Area Correspondents Wanted

With a view to expanding its list of area correspondents, the Network cordially invites volunteers from its members in particularly the following countries/regions: England (South), West Germany, the USSR, Japan, India and Latin America. If you are interested to be one of the Network's area correspondents, please write to the Secretary, International Network for Economic Method.

Editorial Committee

Victor Mok (Editor) Chinese University of Hong Kong
Carson Chan Hong Kong Institute of Economic Science
Kai-Wai Li City Polytechnic of Hong Kong
Alan Wong Hong Kong Institute of Economic Science

International Network for Economic Method
Room 202, Hung On Mansion, 179 Jaffe Road, Wanchai, Hong Kong.
Phone: 5730361 Telex: 54816 WANDW HX Fax: (852) 3114763

© All Rights Reserved.