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Review of: Rationality, Allocation, and Reproduction by Vivian Walsh

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Rationality, Allocation, and Reproduction by Vivian Walsh

Review by: D. Wade Hands

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enabled by changes in whaling technology and institutions. Here the authors excel in using the data to tell a compelling story about the interaction between external market forces and compensation within the industry.

The next two chapters describe changes in ships and technology. The authors trace the shift from ships to barks and the introduction of sophisticated whalecraft. Attention is given not only to improvements in ship design but also to the distortions caused by tariffs and government regulations. The data set allows the authors to document the changes in ship design and identify their sources.

Chapter 8 contains the book's core econometric analysis. It incorporates much of the data presented in the previous chapters into a multiple regression study of total factor productivity with nearly 3000 firm-based observations. Measures of total factor productivity, strength of competition for both labor and whales, and technology are presented and described in detail. Although the econometric findings are slightly mixed, they indicate that productivity did not fall due to overhunting or overcrowding of the hunting grounds. The conclusions of Chapter 5 concerning competition from shore-based opportunities are strongly supported by the regression. Finally, choices of the size and type of ships, technology, and hunting grounds are shown to have increased productivity markedly. These findings are expanded in Chapter 11, which examines the profitability of American whaling.

Chapter 12 offers a comparison of British and American whaling. The two countries differed in several important ways, including the cost of constructing ships, the homogeneity of the fleet, the types of vessels used, the wage contract, and the length of a hunt. Some rough productivity and profitability measures are presented, leading to the conclusion that British whaling was "a creature of war and government policy." (p. 477) This international comparison allows the authors to describe the comparative advantages of the American fleet. The final substantive chapter describes the rise of the Norwegian fleet during a period in which American whaling had declined. Again, technological and institutional advances are noted, along with the comparative advantages of the Norwegians over the Americans.

Taken as a whole, this book is a remarkable cliometric study of American whaling. The data set allows the authors to frame many of their questions as testable hypotheses, a feat not easily accomplished in most business histories. The book is highly recommended for business historians, students of technological change, and applied microeconomists.

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Reference

Falconer, William, and William Burney. 1815. *New universal dictionary of the marine*. London (reprint, New York: Library Editions, 1970).

Rationality, Allocation, and Reproduction

By Vivian Walsh.

New York: Oxford University Press, 1996. Pp. 304. \$65.00.

It is rare that the words rationality and reproduction both appear in the title of a book on economics. Rationality is the purview of mainstream neoclassical economics, while the

discussion of reproduction is restricted almost exclusively to classical and Marxist theory. Walsh is explicit in his desire to cross, and perhaps even blur, the line that separates the neoclassical and classical traditions. Chapters 1–7 are concerned with a critical examination of the concept of rationality in neoclassical economics, while the last two chapters focus on recent developments in the classical tradition. The author is obviously sympathetic to the classical view, although his discussion of the so-called classical revival does contain some critical commentary.

Rationality, Allocation, and Reproduction is a difficult book to classify. Although the author takes an historical perspective on developments in economic theory, the book is not really a volume on the history of economic thought. Similarly for the philosophy of economics; while the book contains a considerable amount of philosophical analysis, it is not strictly a work in economic methodology or the philosophy of social science. On the theory side, the text is not particularly technical, but it does assume a basic working knowledge of things like consumer choice theory, Edgeworth boxes, and fixed coefficient production technology. While these concepts are all explained at the time they are introduced, it is doubtful that a reader without a working knowledge of (at least undergraduate) economics would be comfortable with the presentation. Yet despite employing such theoretical tools, the book is not a contribution to economic theory, classical or neoclassical. Perhaps the easiest way to classify the book is to say that it is quite similar to the author's earlier coauthored volume, Walsh and Gram's *Classical and Neoclassical Theories of General Equilibrium* (1980). As in this earlier work, the general properties of Walrasian neoclassical models are critically examined (particularly with respect to their positivist philosophical foundations) and contrasted with contemporary models in the classical tradition (Sraffa, Pasinetti, etc.).

Walsh's discussion of mainstream economics focuses on the characterization of choice and rationality in neoclassical models (rationality as maximization). The strong methodological individualism of mainstream economics is critically examined—although the author rightly argues that Walrasian economics is not as individualist as it claims to be—along with its implicit utilitarianism. Walsh emphasizes, again correctly, that, while most economists seem to believe that utilitarianism was effectively purged by the ordinalist revolution of the 1930–1950s, utilitarianism in fact continues to exert substantial influence on contemporary economic theory. Neither the fact that agents are defined by well-ordered preferences rather than differentiable utility functions nor the fact that Paretian concepts have replaced the summation of individual utilities in welfare economics implies that utilitarianism has been eradicated from economic analysis. The individualism, the choice-theoretic focus, the concept of the social, and the consequentialism all place the standard characterization of the neoclassical agent squarely within the utilitarian tradition. Walsh also emphasizes that, because of this implicit utilitarianism, the positivist inspired goal of value-free economics was not actually achieved in the way that most economists seem to presume. Of course these criticisms do not extend to models within the classical tradition (either the original versions of Smith, Ricardo, and Marx, or contemporary, more formal variants). The author does criticize classical models for neglecting rational choice and demand, but the argument is clearly secondary to the main theme that neoclassicism does not handle these topics in an appropriate way or even in the way that is suggested by the mainstream's own rhetoric.

Since the vast majority of American economists are of the neoclassical, not classical, persuasion, most readers of this journal will probably reject Walsh's entire argument. Rather than fanning the flames of such a global critique, I would like to close with a more narrowly focused

criticism. This particular criticism is applicable whether or not one accepts Walsh's core argument about classical and neoclassical economics.

The criticism is that the author does not pursue the same type of philosophical analysis in Chapters 8 and 9 where classical economics is discussed as in the earlier chapters where neoclassicism is examined. The discussion of neoclassicism focused on the particular philosophy (positivism) that implicitly influenced the development of mainstream economic theory, but in the later chapters on classical economics, the theory is presented as if it were immune to philosophical influences. If there is a driving philosophical vision behind neoclassicism, then isn't there a driving philosophical vision behind classicism (or at least the contemporary classical revival) as well? From this reviewer's point of view, the philosophical vision that undergirds the classical revival is a tendency toward realism such as recently advocated by Tony Lawson in *Economics and Reality* (1997). But even if one does not agree about the particular philosophy, surely there must be some philosophical vision behind classicism as well as neoclassicism. If the philosophical perspective behind classicism had been examined, Walsh might have noticed that it too suffers from the separation of the epistemic and the normative in the same way that positivism separates these two issues in neoclassical theory. There are some philosophical traditions where the ethical and the epistemic are not so rigidly separated—American pragmatism, for instance—but such philosophies do not seem to undergird the classical revival any more than they did the rise of contemporary neoclassicism. It seems that, if Walsh had interrogated the philosophical ideas behind the classical revival with the same critical diligence that he examined the philosophical ideas behind neoclassicism, he might have uncovered some truly novel insights into the relationship between economics and philosophy. As it is, the book is quite interesting, but it stops short of breaking any significant new ground for our understanding of either rationality or reproduction.

References

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- Walsh, Vivian, and Harvey Nelson Gram. 1980. *Classical and neoclassical theories of general equilibrium: Historical origins and mathematical structure*. New York: Oxford University Press.

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The Failure of Antitrust and Regulation to Establish Competition in Long-Distance Services¹

By Paul W. MacAvoy.

Cambridge, MA: The MIT Press, 1996. Pp. xviii, 314. \$50.00.

This is a controversial book, which is based to a large extent on Professor MacAvoy's earlier work on behalf of Regional Bell Operating Companies (RBOCs) in their effort to obtain authority to enter the longdistance markets that he finds insufficiently competitive. Indeed, opponents of rapid RBOC entry into long distance disagree with the very title of the book and argue that these markets are sufficiently competitive so that RBOC entry would provide

¹ I have benefited from the comments of Professors Alfred Kahn and Dennis Weisman. The opinions expressed in this review remain my own, however.