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Review of: Economic Theories, True or False? Essays in the History and Methodology of Economics by Mark Blaug

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Economic Theories, True or False? Essays in the History and Methodology of Economics. by Mark Blaug
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institutional inheritance, and shows how the British legacy shaped early American transport development. Finally, Brian Binger, Elizabeth Hoffman, and Gary Libecap demonstrate the usefulness of experimental methods in historical investigations, testing hypotheses about oil cartelization in Texas and Oklahoma between 1926 and 1935.

I think Jon Hughes will be best remembered for two major contributions to economic history: his work on the entrepreneur and that on the institutional (particularly legal) evolution of the American economy. He began working on the entrepreneur just when the cliometric revolution that he had helped found was embracing the application of neoclassical theory to history—a body of theory that had no place for the entrepreneur. Hughes's *The Vital Few* (Boston, 1966) not only brought the individual entrepreneur back into the spotlight but integrated the role of the entrepreneur with the development of the economy. John Nye's "Lucky Fools and Cautious Businessmen" in this *Festschrift* is a nice essay that ties in recent developments in the new institutional economics pioneered by Ronald Coase with neoclassical theory, reinforcing Jon's perception about the role of the entrepreneur in the development of the economy.

Jon's two books on the institutional evolution of the American economy, *Social Control and the Colonial Economy* (Charlottesville, 1976) and *The Governmental Habit: Economic Controls from the Colonial Times to the Present* (New York, 1977), not only reminded us of the ubiquitous controls that have constrained and shaped choices throughout our history but also pioneered the notion of path dependence. And in an important essay written to honor Sir John Habakkuk, "A World Elsewhere: The Importance of Starting English" (Oxford, forthcoming), he traced the institutional framework of the American economy back to its English origins to demonstrate the pervasive influence of English law and custom on the American experience. (Rick Szostak's essay in this volume applies this insight to the institutional origins of American turnpikes, river improvements, and canals.)

But Jon left us more than his books and articles. His vitality, exuberance, charm, outrageous views, and perceptive insights were at the very heart of the reason why the cliometric revolution was much more than a scholarly revolution. It was populated by distinctive characters who, like Jon's entrepreneurs, have left their personal imprint on that history—none more so than Jon. For almost 40 years I was the recipient of his stream-of-consciousness letters. They came as often as once a month, were always handwritten, and contained a wonderful mixture of scholarly insights, personal anecdotes, and appraisals of the social scene, all crafted in his inimitable style. I have his last one in front of me now. It arrived a week after his death (because of my remote summer location) and, except for bidding me goodbye, was a typical letter. It began with some reflections on hospital care; went on to comment critically on Talcot Parsons's sociology, the behavioral assumptions of economics, and John Stuart Mill's erroneous views about technological, cultural, and political convergence (of economies) through trade; and finally concluded with an amusing analogy of the diagnostic method of his surgeon with the state of econometrics. I will miss his letters. We will all miss him.

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The current trend—some would say "fashion"—in the history of economic thought and economic methodology runs directly counter to Mark Blaug's methodological thesis in this volume of essays. The current trend is toward "postmodernism," "rhetoric," and "constructivism": views that downplay or eliminate the role of objective empirical facts in disciplining the theoretical discourse in economics. Blaug's position in these
essays, as elsewhere in his methodological writings, is more traditional: he advocates rather strict methodological norms based on Popperian falsificationism and the direct confrontation of economic theories with the empirical evidence. Although many different topics in the history of economic thought and some topics from quite recent economic theory are discussed in these essays, the recurrent theme and the ultimate standard for appraisal is whether or not these theories expose themselves to such empirical threats. Those that do are generally praised; those that do not are criticized. Blaug's epistemological position is clearly reflected in the title of these essays—Economic Theories, True or False—a title that seems, given the recent popularity of less normative discourse, rather aggressive in its methodological commitment.

While a strong methodological commitment undergirds all of the essays, this volume is not a book "on" economic methodology; it is a volume "on" economics. The chapters range over a number of different economic theories and economic theorists. There are two chapters on Marxian economics, one on 1970 to 1980-vintage radical economics, one on classical economics, and one on marginal cost pricing. In addition, chapters are devoted exclusively to Hicks, von Thünen, Kaldor, and The New Palgrave. Though all of these essays have been published previously, the volume flows quite smoothly from essay to essay and is free of the unevenness so common to volumes of collected essays. Overall the essays are clearly written and coherent, given the wide range of topics covered.

I disagree with parts of Blaug's interpretation of Popper, and I am generally more sympathetic than Blaug to the new antinormative discourse—but this review is clearly not the place to raise such philosophical criticisms. As Blaug makes clear, we have "crossed swords" (p. 6) over these issues before, but this book is not an argument for his methodological position; instead, it is simply an application of his position. Rather than engage in philosophical criticism I would like to emphasize two very positive things about the essays in this volume: the overall excellence of the author's scholarship, and his demonstration of methodological consistency.

Regarding scholarship, not only does Blaug consider a wide range of topics, he discusses them all with impressive depth and attention to detail. Whether in his careful analysis of the literature on segmented labor markets in Chapter 3, or in his mathematical presentation of the Kaldor growth model in Chapter 9, he clearly demonstrates the depth as well as the breadth of his scholarship. Often authors who range over the entire history of economic thought do so at the expense of careful attention to detail; this is clearly not the case in these essays.

As for methodological consistency, Blaug certainly practices what he preaches. His methodology requires one to give up an economic theory if it consistently fails to pass the empirical tests passed by its competitors, or if it simply fails to stick its empirical neck out—that is, if the theory cannot be formulated in such a way that it can be empirically tested. When economic theories do not meet these methodological criteria, Blaug is clearly willing to abandon them for others that do. For instance, he is generally sympathetic to conventional neoclassical economic theory (particularly of a Marshallian rather than a Walrasian sort), but when a heterodox theory is more testable or has a better empirical track record he is quick to give it the nod over the orthodoxy in the same domain. With respect to radical economics he says,

I was not inclined to be sympathetic to radical economics when I began this appraisal. Having completed it, I still remain sceptical, but I am also more convinced than ever that radical economics must be taken seriously: it poses a definite challenge to conventional economics, and that challenge has not yet been adequately answered (p. 60).

On the related but narrower topic of gender-based labor-market discrimination he says,

Some of the radical feminist literature is no doubt excessively preoccupied with the purely formal effort to incorporate women's unpaid housework into the value schema of Marx's
A number of other cases could easily be mentioned in which Blaug has been willing to accept a new theory and/or abandon a traditional one he preferred because of its poor empirical record or because of its inability to confront the empirical evidence. Such methodological consistency deserves our respect.

In sum, this is a well written and informed collection of essays on a wide range of topics in economic theory and the history of economic thought. The essays are thoughtful and well researched, but they are not timid—for instance, we are boldly told that *The New Palgrave* "gives a hopelessly distorted picture" of modern economics and that Sraffian economics "has its foundations planted firmly in mid air" (pp. 225, 234). Regarding methodology, the essays are aggressively committed to Popperian falsificationism and they are devoid of the postmodernist language of "conversation" and "discourse" that has become increasingly common in methodological writing. This methodological position, while rather strict and traditional, is consistently and honestly applied to the various theories and theorists examined. There is no double standard at work in these essays: for Blaug the important methodological question is simple and clear-cut: *Economic Theories, True or False?*

D. WADE HANDS, University of Puget Sound

GENERAL AND MISCELLANEOUS


This book is a collection of 12 papers (one by the editor) originally presented at a 1988 Harvard conference bearing the same name. The volume also contains an introductory essay by the editor, which serves to integrate the material in the book, and an extensive index. Though some overlap occurs, each paper examines one of two broad issues. Most investigate the economic effects of slavery and the slave system on one of the three areas involved—Europe, Africa, and the New World. A few consider the manner in which the slave system developed in the New World. Both issues are of longstanding interest to economic historians.

The editor's viewpoint on the economic importance of slavery is evident from remarks in her introductory essay. "Those regions of the New World with few links to slavery remained relatively dormant. On the other side of the Atlantic, those regions linked to the colonial trade . . . became sources of dynamic growth in their countries" (p. 2). Although many of the authors who examine the effects on one of the three regions agree with her, not all do. Agreement is most complete when the New World is examined—all agree the effects were large. In the editor's interesting chapter, she hypothesizes that the New World did not and could not successfully develop until slavery was introduced. Richardson's chapter, arguing that New England's rapid growth between 1750 and 1773 was due to large increases in trade with the booming slave-dominated Caribbean, fits well with Barbara Solow's viewpoint. More generally, Knight argues that the institution of slavery, with slaves as private property, was important in the triumph of capitalist ideas—not only in the Americas, but also in Europe. A minor twist to the argument is provided in David Galenson's examination of slavery in the Chesapeake region. Though he agrees that slavery was important to that region, he concludes that the spread of slavery within an area—when slaves were