

focusing on the contrast between the individual self as formed through self-contained intrasubjective actions and the self as formed through interactions with others. Charles R. McCann Jr., presents a fairly technical article on various concepts of probability, with ramifications for game theory. In the final article, Geoffrey Ingham deals with money, questioning the long-held contention that money is a prime example of a spontaneous order and that its main function is as a medium of exchange. Instead, he suggests that money is more properly understood as money of account—that is, as a measure of abstract value—that money is incorrectly understood as a neutral veil that simplifies the transactions in a barter economy, and finally, that states are required to establish the validity of money.

As with most of Elgar's *Companion* series, the articles go much deeper than a mere explanation of particular heterodox schools of economics. Thus, the collection requires a decent familiarity with one or two schools of heterodox economics, as well as some familiarity with current practice. The wide variety of philosophical perspectives guarantees that at least some of the articles will be of interest to anyone exploring the interrelation of philosophy and current economics. However, as a philosopher myself, I wonder whether an economist, in reading some of these articles, might argue that neo-classical theory is at times being caricatured or that its limited project is being misunderstood by those who want economics to be able to do more than it claims to do. I also wonder whether readers with a background in only economics might benefit from more concrete examples of prediction gone wrong, along with the philosophical arguments about bad underlying theory.

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**Economic Policy Under Uncertainty:
The Role of Truth and Accountability in Policy Advice
Peter Mooslechner, Helene Schuberth,
and Martin Schürtz (Editors)**

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2004 (322 pages)

What is consensus in economic policy advice? If most or even all economists agree on some economic claim, that does not make the claim correct; that is, passing for true is not being true. That is perhaps the unifying message of the fourteen chapters in this edited volume. Furthermore, economic theory is urged to develop in ways such that economists can have their feet held to the fires sparked by their advice to policymakers. The volume explores these messages through a series of overarching themes, including the effect of uncertainty in economists' policy analyses, the role of truth in the advice given by economists, and specific topics in the philosophy of economic science, especially the potential for pragmatic theories to deploy standards of truth in order to address uncertainty in policymaking.

Four chapters are concerned primarily with uncertainty. To illustrate their offering, consider the standard yet difficult policy question of the efficacy of monetary policy in managing macroeconomic performance. One chapter, by Sheila Dow, explores a continuum of epistemic uncertainty, from certainty equivalence to radical uncertainty. Economic policy being paralyzed at either extreme, Dow proposes a fundamental rethink at the methodological level toward a middle ground that acknowledges epistemic uncertainty but deals with it theoretically and practically, arguing that such is the way monetary policy is conducted in practice.

The next chapter, by Julian Reiss and Nancy Cartwright, addresses the policy question as dependent on the logical foundations of econometric models of causation. If the growth rate of money supply in a year were 1 percent greater than it actually was, how much different would GDP have been in that year? Such counterfactual statements are the necessary bedrock of econometric models of economic policy, argue Reiss and Cartwright.

A third chapter argues that the question depends on the role of uncertainty in the volatility of financial markets, which serve as transmission mechanisms. Finally, in the chapter by Helene Schuberth, she rejects assumptions underlying conventional rules-discretion tradeoffs, which treat uncertainty as probabilistic (i.e., risk). Rather, monetary policymakers typically face multiple simultaneous forms of uncertainty (parametric, model, epistemic), which complicates rules-discretion tradeoffs. Given space constraints, it will have to suffice to report that these four chapters carry the dual salient messages of caution in giving policy advice and vigilance in building pluralistic models that reflect uncertainty in the world.

The thrust of the volume is in addressing the meaning of truth and its role in economic policy advice. *Truth* as the word is used in this collection, is a concept that economics has ignored for decades. Smoothing its edges quite a bit, truth amounts to a concern about whether policymakers are receiving information and analysis that is the closest to the economic problem in reality and that is most likely to predict the actual effects of alternative policy options. Thus, we are concerned with whether policy advice is realistic or biased or uncertain, and so on.

The best chapter among the four dedicated primarily to this issue is “The Role of Truth in Economic Policy Advice” by Gebhard Kirchgässner. First, the foil: Ideal economic policy advice informs policymakers either of the optimal policy given their objectives or that the objectives are infeasible. Economists, however, like agents in economic models, rationally respond to professional incentives, are armed with limited information, and face a level of structural uncertainty in their analysis. If public choice has established policymaker self-interest—or narrow/organized interest—as a behavioral orientation, the same methodological individualism applied to economists suggests that any position takers on a policy problem can buy an economist to produce a study in defense of their stance and conclusions. This is without doubt a worry, both for the formation of beneficial policies and for the standing of the profession. As Kirchgässner states: “It cannot be ruled out that the only purpose of enrolling economists as policy

advisors is to serve the political positions of political parties or various interest groups” (88). The chapter sets out to formulate institutional arrangements for the profession that would help alleviate the conclusion that economic policy advice is merely a pawn in a game where interest groups are king and queen.

This is an intriguing exercise. If economists as a society were to draft a constitution with, among others, one objective being the formation of true policy advice, what would the constitution look like? By this chapter’s lights, the profession would have to instill greater openness of discourse, transparency, and accountability. Some specific recommendations include making data from empirical studies publicly available, allowing or requiring empirical results to be reestimated by disinterested economists, and divorcing the generation of economic policy advice from organizations dedicated to advancing narrow or political interests. The expectation is that economics would evolve into a social science in which individual scientists advance their theories as forcefully as possible under the expectation that others in the discipline will have the incentives to reject others’ theories in favor of their own.

An equally intriguing counterpoint unaddressed in the chapter might be to ask why such order within the discipline would not emerge without constitutional design. Several economists have acquired first-rate reputations deconstructing others’ arguments and results, or at least serving as umpires within their fields (Deirdre McCloskey, Bennett McCallum, David Laband, and Dan Klein, to name a few). Prominent economists routinely duke it out on weblogs devoted to current events and policy commentary. Increasingly, more formal outlets, such as *Econ Journal Watch*, also serve as checks and balances on policy prescriptions of economists everywhere. Such casual observations suggest that a level of mutual accountability continues to evolve among the competing producers of economic policy ideas, a point that seems to be given short shrift in the volume.

Overall, this collection is a serious examination of many issues that most economists probably take for granted. As such, it is a welcome reminder and valuable contribution. Its title may draw the attention of applied academic economists as well as consultants and government economists who are regularly involved with formulating advice to economic policymakers, but the level of discourse is decidedly philosophical. The volume’s fourteen contributors (ten European, four in the U.S.) are evenly split between philosophers and economists with a foot planted in the field of economic methodology. Thus, readers searching for a handbook for navigating the everyday aspects of formulating policy advice should probably look elsewhere. That said, academics and practitioners alike will benefit if the interest is in taking a hard, reflective look at their trade and getting a strong update on the state of thinking about the philosophy of economics and economic policymaking.

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