

**PHILOSOPHY,
HISTORY, AND
METHODOLOGY
OF ECONOMICS**

**The Economic Worldview: Studies in
the Ontology of Economics**

Uskali Mäki (Editor)

Cambridge, United Kingdom: Cambridge University Press, 2001
(400 pages)

The publication of this new book on the philosophy of economics is reason to celebrate, and the editor deserves praise for this accomplishment. It is the mature outcome of years of reflection on the subject. Professor Uskali Mäki, (Helsinki, 1951), was educated in both disciplines and has a Ph.D. in philosophy. Currently he teaches at Erasmus University, Rotterdam, where he also directs the Erasmus Institute for Philosophy and Economics. Mäki holds, in a broad sense, a realist position: This is why he focuses on profound topics of economics.

The concern of economists and philosophers with the nature of economics has increased since the 1980s. During that decade, *Economics and Philosophy* (Cambridge University Press) and then *The Journal of Economic Methodology* appeared, becoming the main journals in the field. Also deserving mention are the first books by L. Boland, M. Blaug, B. Caldwell, D. Redman and other authors such as R. Backhouse, D. Hausman, T. Mayer, and many more. There is a good review of the state of the art and of its main topics, currents, and authors in Glenn Fox's book, *Reason and Reality in the Methodologies of Economics* (1997).

However, this is the first book stating in its subtitle the term *ontology*, which may be interpreted as a challenge to positivism, decadent but still reigning in the field of economics. Previous contributions focused on epistemological, methodological, or ethical

aspects. Sometimes the authors' former education (economists or philosophers) became "too evident." These works used to be concerned with a certain state of dissatisfaction regarding the current development of economics. The reviewed is a book with balanced and sound insights. Besides, it brings together authors from different positions, achieving an interesting overall view of the plurality of approaches to the subject.

The origin of the book was a monographic volume of the journal *The Monist* (July 1995), entitled "The Metaphysics of Economics." The eight original contributions of that issue reappear—with slight changes—in the new book, which adds eleven more. Four hundred pages and nineteen papers would merit a more extensive review than this one. Thus, this review will make only a brief comment on each essay.

In the introductory chapter, the editor explains the *what*, *why*, and *how* of the book. First, the *what*, he writes, is "The study of economic ontology is concerned with what may be called 'the economic realm': The economic realm consists of those parts or aspects of the universe that are set apart as constituting the subject matter of economics" (4). Is it there, or do we create it? What is its relation with morality and politics? Economists have a world economic view. What is its ontology? Mäki understands ontology in the classical sense as the study of being as being (7). This is why it is a book devoted to what he calls "local" or "regional" ontology. This book has no relation, he clarifies, with the logical positivist concept of metaphysics. "The relevant questions in economic ontology are, 'What are the underlying presuppositions?' and, 'How do the presuppositions constrain and determine belief?' as well as, 'How does and can one justify or criticize the presuppositions?'" (8). The *why* is clear: (1) We need to impose boundaries on economics and, (2) The discontinuity between empirical evidence and theory denounced by the Duhem-Quine thesis can only be overcome by ontology, which can justify methods and theories. Concerning the *how* he explains some distinctions of ontology.

In chapter 2, Harold Kincaid criticizes positions, such as Rosenberg's and Nelson's, supposing that there is no science where there are no natural kinds. He also criticizes Helen Boss's supposition about economics as a subjective imposition determined by the normative views of the economists. In the final part of his paper he challenges methodological individualism.

The third essay is by Scott Meikle. The quantitative homogenization imposed by economics through the notion of utility leads to a confusion between economics and the ordinary world. This has serious consequences: It makes difficult the formulation of an adequate concept of wealth and sterilizes the validity of the question about the goals of a market economy. Meikle, who has written a book on Aristotle's notion of economy (*Aristotle's Economic Thought*, Oxford, 1995), frequently refers to this philosopher in his paper. He finishes by insisting on the priority of the ordinary world in economics.

The next section of the book is about "Rationality and *Homo Economicus*." Russell Hardin points out how difficult it is to quit the self-interest frame in the rational choice theory. "The critics of rational choice," he concludes, "may finally wish to weep at

their complicity in its refinement" (74). Philip Pettit, in his chapter "The Virtual Reality of *Homo Economicus*," begins analyzing this typical presupposition of economics; then, he shows that it is not applicable to all human actions; he thus proposes a conciliation explaining its how and when. The next paper in this section, by Shaun Hargreaves Heap, points out the insufficiency of the instrumental model in a thought-provoking way. He introduces the concepts of expressive rationality and reflective action, which give room to an endogenous consideration of changes. A richer anthropological vision than usual underlies his position. John Davis also challenges the neo-classical theory: It does not provide an ontological framework for an analysis of economic agency. A realist approach, he holds, would have to investigate the routines involved in economic activity. Finally, he affirms that both methodological individualism and collectivism are ontologically "naïve." The following paper, from Jochen Runde, compares the positions about uncertainty of Keynes and Knight with the Bayesian position. He argues why the latter is not plausible, albeit being very attractive.

Part 3 of the book, "Micro, Macro and Markets" begins with a paper by John O'Neill. He argues for the essentialism (Aristotelian) of the market. The next work is by Alex Rosenberg, a sound critic of economic science. To a complete list of failures of economics, he adds the suggestion that it is actually an ideology. Jack Vromen begins the next paper with criticism of Rosenberg. He studies the ontological commitments of a renewed economic current, evolutionary economics. He discovers routines and heterogeneity of agents underlying it. However, an analysis of the anthropological suppositions of the different kinds of evolutionary positions would not result in a satisfactory balance. Kevin Hoover's thesis in the next work is greatly interesting: the unsustainability of ontological reduction of macro- to microeconomics. Macroeconomic aggregates, he states, have an external and objective, existence. However, the elements of macroeconomics cannot survive without the substratum of individuals acting microeconomically. Don Ross and Fred Benet, in "The Possibility of Economic Objectivity," point out that economics studies real patterns that are discovered not imposed. They illustrate their theses with some examples.

Part 4, "The World of Economic Causes" begins with the paper by Nancy Cartwright. Using Aristotelian metaphysical categories, she concludes with a vision of economics, that, in this reviewer's opinion, Aristotle would not have accepted. Daniel Hausman, formerly Millian, thoroughly analyzes Mill's method, leaving this position. John Dupré criticizes Alex Rosenberg. He proposes a practical, engineering-like economics, based on a metaphysical pluralism. Dupré's reference to metaphysics implies that he has a rationalistic understanding of it.

The fifth and final part of the book begins with a detailed study of the phases of Thomas Sargent's thinking. His attempt to establish symmetry between economic agents, economists, and econometrists constitutes an ontological constraint. Esther-M. Sent, the author of the first paper in this section, has recently written a book on Sargent (Cambridge University Press, 1998). Alan Nelson, in the next paper, argues that the

model of idealization of economics (according to Robbins' concept) is Cartesian. He wonders whether Robbins's presupposition would not be as ideological as the Cartesian.

The book finishes with a contribution of the editor, "The Way the World Works: Toward Ontology of Theory Choice." He proposes possible criteria to theory choice. He offers three possibilities: empirical criteria, social criteria, and ontological criteria. It is obvious that the author prefers the third. From this point of view, the perfect competence model excludes essential features ("the way the world won't work"). He argues this position from the criticisms of three economists: G. Richardson, R. Coase, and J. Buchanan. "The imperfections, he concludes, play a necessary or essential role in the working of the world, and that therefore they should play an indispensable role in theory" (383).

This is one of the best books that I have read on philosophy of economics. It is not easy reading, but it is necessary for anyone who wants to know the current state of this exciting field of research.

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European Monetary Integration: Past, Present, and Future

Eric J. Pentecost and André van Poeck (Editors)

Cheltenham, United Kingdom, and Northampton, Massachusetts:

Edward Elgar, 2001 (229 pages)

On January 1, 2002, a new common European currency, the "euro," began to circulate in physical form after its establishment two years before as a single currency and its use for intrabanking sector and financial market transactions. Accompanied by doubts and controversies since the first plans were put forth in 1970, the project has so far proved to be on a solid footing. The European Central Bank has been successful in maintaining price stability, and since March 2002, the euro exchange rate has recovered strongly after a period of decline against the U.S. dollar. But there are still a number of unresolved issues surrounding the euro. Critics may say that its major test is still to arrive. In *European Monetary Integration*, the editors E. J. Pentecost and A. van Poeck, put together a series of papers that provide a useful overview of the continuing efforts by the European Union to establish, maintain, and extend a common European currency.

The editors have done well in presenting analyses that cover the past of the system before addressing the current and future issues. The introductory essay on the historical background of a European monetary union provides a concise summary of the endeavors to seek common monetary arrangements for the politically fragmented European continent since the nineteenth century, when at the beginning of that century