The Boundaries of Economics

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The Boundaries of Economics is a joint inquiry by five authors into areas where there is important interaction between economics and other disciplines. Four of the book's six chapters are based on lectures given in 1985 at Tulane University. Don McCloskey, Gordon Winston (who arranged the program), John Gray, and Michael McPherson lectured respectively on the rhetoric of economics, problems of the treatment of time in economics, F.A. Hayek's peculiar position as a Nobel Prize winner who has remained an outsider for neoclassical economics, and the interchange between economics and social philosophy brought about by John Rawls' *Theory of Justice*. In addition there is a chapter by Dan Hausman on the track record and prospects for fruitful exchange between economic methodology and philosophy of science, and a nice introductory chapter by Winston that sets the stage for the others and gives a synopsis of each.

The lectures were for an interdisciplinary and predominantly undergraduate audience, so the collection serves best as an introduction to cross-boundary activity in the several regions of the periphery of economics that are covered. Without any explicit conversation among the authors, there is a unity in the volume that is borne of Winston's work in planning the lecture series. The predominant theme is, broadly speaking, the relationship between economics and philosophy. The book could be used effectively either as a text for an introductory course on political economy or methodology or as an introduction to current topics in methodology for economists who have not previously read widely in the area. The primary weakness of the collection relates to readers already familiar with the authors' previous work or the literature on which they draw. They will find little that is new here.

McCloskey's chapter is an appeal for economists to recognize the rhetorical nature of economic discourse. He uses Gary Becker's work on human capital, mathematical economics, and Albert Hirschman's work on metapreferences to illustrate how economists depend on metaphors and to argue that economists

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can profitably study literary criticism along with their mathematics and statistics. This chapter is more of what has become standard fare in McCloskey's writings since his 1983 *Journal of Economic Literature* article on "The Rhetoric of Economics."

Winston's chapter on "Three Problems with the Treatment of Time in Economics: Perspectives, Repetitiveness, and Time Units," is an attempt to find what he identifies as a middle way for economists that steers clear of metaphysical analysis of the nature of time but also avoids the blind assumption that issues of time are unimportant for economics. Winston points out three opportunities to improve economic analysis by giving conscious consideration to time. The first is when the distinction between analytic time and perspective time is crucial to the economic problem. Analytic time is the standard time of neoclassical models. Events are ordered in the sequence of "before, simultaneous, and after," and there is free movement forward and backward through time. In perspective time events are ordered as "past, present, and future." Movement occurs only forward and the future is imperfectly known. The second is when it is important to distinguish between repetitive and unique events. This distinction is crucial in specifying within a model the amount of knowledge of the future that economic agents are presumed to have. The third opportunity is in the choice of a time unit for analysis. Winston illustrates this by arguing that in using overly long time units economists can overlook free-rider problems in private transactions. The point is simply that in many transactions payment and delivery take place at different points in time. When either payment or delivery has been made and the other has not, strict self-interest dictates that the party who has not executed his or her side of the transaction not do so. This incentive to free-ride is strictly analogous to that which is commonly recognized in analysis of public goods. If the time unit used in analysis of ordinary commercial transactions inadvertently treats payment and delivery as if they occur simultaneously when in fact they do not economists can neglect rich information about how markets solve or fail to solve free-rider problems.

Gray attempts to sort out the relations of Hayek's thought to Austrian economics, the Scottish Enlightenment, and the neoclassical mainstream. His underlying problem is to explain how Hayek remains on the fringe while distinctively Hayekian themes such as tacit information, markets as sources of knowledge, and subjectivity of economic phenomena are developed within the neoclassical mainstream. He concludes that two factors are important in explaining this — Hayek's "elusive originality" and internal weaknesses in his system. His originality is evinced by his *not* adopting key features of each of the three traditions, such as Mises' *a priorism* or Menger's essentialism, the vestiges of deism in Smith's and Burke's political morality, and the neoclassical device of *homo economicus*. Gray identifies weaknesses in Hayek's cultural Darwinism, when he moves from the insight that social institutions produce knowledge to the *non sequitur* that the evolution of social institutions is progressive, and in his failure to recognize the implication of his emphasis on the limits of knowledge for potential instability of market processes.

The two chapters by McPherson and Hausman, coeditors of the *Journal of Economics and Philosophy*, offer a nice contrast to one another. McPherson, the economist, and Hausman, the philosopher, consider two different points of contact between economics and philosophy and come to different conclusions about how fruitful the contact is. McPherson tells his own story as an economics graduate student who acquires a new appreciation for philosophy and a renewed appreciation for economics by reading Rawls' *Theory of Justice*. He explains how Rawls showed that the analytical tools and empirical content of economics can be used effectively in social philosophy, and how Rawls helped economists escape their self-denial of normative discussion. After a heady beginning there is disappointment in McPherson's story of the association between economics and Rawlsian social philosophy. Exaggerated claims for Rawls' theory and criticism from within philosophy contributed to bringing the expectations for what might be accomplished with the framework down to earth. Despite this disappointing turn in the story, overall McPherson's essay is upbeat.

Hausman's evaluation of the ability of economic methodologists to draw on philosophy of science for their purposes is more sceptical. He opens with a judgment that economic methodology has progressed little beyond J.S. Mills's "On the Definition of Political Economy" and that part of the reason for this is that economic methodology has been largely cut off from philosophy. Methodologists have followed philosophy of science just closely enough to make the mistake of latching onto logical positivism and Popperianism. This would seem to suggest that methodology could be improved if the methodologists were only better at philosophy. But Hausman argues that there is little reward for methodologists in following philosophy more closely, for philosophy of science and economic methodology are different sorts of enterprises. Philosophy of science uses economics as subject matter to deal with philosophical questions, and methodology is concerned with improving the practice of economics. It is a mistake for methodologists to look to philosophy for ready-made solutions to problems of practice. Hausman's conclusion will be disappointing for methodologists who have looked to philosophy for keys to better económics, but there is a bright side. In post-positivist philosophy of science economics is useful to philosophers merely by being itself. Philosophers' task is not to analyze some ideal science in the sky but honest to goodness science as it is actually practised.

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