To David M. Gordon, Hyman Minsky and William Vickrey, dissenters who will be sorely missed

Economics and its Discontents
Twentieth Century Dissenting Economists

Edited by

Richard P.F. Holt
Associate Professor of Economics, Southern Oregon University, USA

Steven Pressman
Professor of Economics and Finance, Monmouth University, USA

Edward Elgar
Cheltenham, UK · Northampton, MA, USA
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Economics and its discontents

Contributors

Jeff E. Biddle is Associate Professor of Economics at Michigan State University, USA

Peter J. Boettke is Associate Professor of Economics and Finance at Manhattan College, USA

Victoria Chick is Professor of Economics at University College, London, UK

Charles M.A. Clark is Associate Professor of Economics and Finance at St. John's University, USA

David Colander is Christian A. Johnson Distinguished Professor of Economics at Middlebury College, USA

Zohreh Emami is Associate Professor of Economics at Alverno College, USA

Ross B. Emmett is Assistant Professor of Economics at Augustana College, Canada

Mathew Forstater is Assistant Professor of Economics at Gettysburg College, USA

Richard P.F. Holt is Associate Professor of Economics at Southern Oregon University, USA

J.E. King is Professor of Economics at La Trobe University, Australia

Heinz D. Kurz is Professor of Economics at the University of Graz, Austria

David Latzko is Assistant Professor of Economics at Wilkes University, USA

Frederic Lee is Reader in Economics at DeMontfort University, UK

Laurence S. Moss is Professor of Economics at Babson College, USA
Introduction: dissent in twentieth century economics

Richard P.F. Holt and Steven Pressman

In the late 1940s, President Harry S. Truman actively sought out a one-armed economist to give him advice. The problem, he lamented, was that whenever he asked one of his economic advisers for help and suggestions their response was always 'On the one hand ... and the other hand ...'. About thirty-five years later, President Ronald Reagan expressed a similar dissatisfaction with his economic advisers, quipping that if you line up all the economists in the world end to end they would not reach a conclusion.

These two jokes about economists reflect the popular perception of economists and the economics profession. Yet the reality is rather different from these popular perceptions. Economists actually agree more than they disagree; and they tend to agree more on fundamentals (how the economy works and how to do economics) and disagree more over magnitudes (how much the economy will slow down if interest rates rise) and means (what is the best way to cut taxes, reduce the deficit, and so on). Surveys of economists show that an extremely large percentage of the profession support free trade, oppose minimum wages because they increase unemployment among unskilled workers, and favour taxes on pollutants rather than government regulations mandating certain solutions to the problem of pollution, such as electric cars (Frey et al. 1984).

This strong consensus, however, has not become unanimity. On virtually every issue there remains a sizeable minority (10 per cent or more) of economists who oppose the views of the majority. And these dissenters are not all extremists, or 'economic quacks'. Many are respected figures. This book is about these twentieth century dissenters, and about dissent within the discipline of economics. It addresses how and why various economists disagree with the majority views of their colleagues, and the nature of dissent or disagreement within the economics profession.

Dissent can take many shapes and forms, as the chapters in this book show. Dissent can be over how economics gets taught (Robinson). It can
12. Imagining the possibilities: the dissent of Adolph Lowe

Mathew Forstater

INTRODUCTION

Adolph Lowe’s work is the fruit of a great mind and a generous spirit grappling with complex social problems. His analyses of modern social life extend beyond the narrow confines of contemporary economics to encompass the sociological, historical, political and philosophical questions that arise when seeking to understand and transform society.

Lowe’s dissents are complex. He questioned conventional economics at its very roots – its definition, its scope and relation to the other social sciences, the relation of history and theory, and the nature of economic policy in a modern capitalist economy. Taken as a whole, his work is nothing less than a wholesale rejection of conventional economics.

In what follows, it is argued that the notion of dissent must be understood in relation to some referent, and that in the case of twentieth century economics, the neoclassical approach is the proper referent. After an overview of the main characteristics of neoclassical economics, Lowe’s work is examined to determine how it departs from the mainstream. It will be seen that Lowe dissents from the orthodoxy in virtually every respect. Instances where Lowe deviates from other positions of dissent will also be pointed out; differences among those who dissent from the dominant paradigm should not be viewed as unusual.

THE NATURE OF DISSENT

Dissent is difference. All difference is relational; it depends on some referent. But it is not disinterested difference. Dissent implies an active engagement with the referent, a shared history, and not mere random dissimilarity.

Since dissent depends on a referent, the content of dissent may change over time as the referent changes. In addition, there are multiple possible positions of dissent, and thus concurrent and oppositional forms of
dissent. Dissent is therefore context dependent and historically relative; it emerges relative to what is dominant in a particular time and place.

In the twentieth century, neoclassical economics is the dominant paradigm. There are many different aspects of neoclassical economics and, of course, there has been diversity within this school. Nevertheless, the broadly accepted characteristics of neoclassical economics help us to identify dissent in twentieth century economics.

The first issue concerns the object and scope of economic inquiry. Neoclassical economics focuses on constrained decision-making. This narrows the discipline, which has become more and more alienated from the other social sciences; it also abandons socio-political considerations as a central part of the analysis. On the other hand, such a conception broadens the discipline’s traditional area of application, so that we now have an economics of everything from marriage and suicide to politics and law.

Not unrelated to this shift in the object and scope of economic inquiry is the neoclassical claim that its laws are universally valid. All decisions are seen as subject to marginal analysis, and rationality is seen as a fixed aspect of human nature. The laws of supply and demand, diminishing marginal utility, and so on, are seen as having no spatial or temporal restrictions on their applicability. As a result, we get laboratory rats ‘minimizing expenditure’ and ‘revealing preferences’ for one soft drink over another.

Reducing economics to an optimization problem has led to a number of other developments. One is an almost religious adherence to mathematical formalism and the ‘scientific’ (deductive) method. Following this method is regarded as positive science; everything else is viewed as unscientific and, unlike positive economics, value laden.

A focus on the logic of choice also leads to a subjective (utility) theory of value. Social structure and economic classes are thus ignored in favour of a methodological individualism that takes the atomistic agent as the fundamental unit of analysis.

Another characteristic of neoclassical economics is the ideal of perfect competition, which includes assumptions such as perfect knowledge, perfect foresight and perfect mobility of factors of production. Even where imperfect information is acknowledged, it is usually treated as a case of risk rather than radical uncertainty. Elasticity of supply and factor substitutability make for rapid equilibration in response to changing market circumstances, while ignoring the lags in economic processes that occur in real historical time.

Neoclassical economics also emphasizes the primacy of exchange, with production treated as indirect exchange. The market is viewed primarily as an allocative mechanism, with dynamic aspects of growth and structural change generally underexamined. Technology is taken as exogenous, rather than rooted in the system. The production process itself is viewed as linear—leading from factors of production to consumer outputs—ignoring the crucial circularities associated with produced means of production.

Finally, neoclassical economics assumes full employment, or a systematic tendency to the full employment of all resources, including labour. The neoclassical equilibrium framework depicts the market system as orderly, predictable and satisfactory. Policies should thus counter market imperfections, so that the self-adjusting market mechanism can lead the economy to its optimal state.

This overview is in no way comprehensive, but it does set out the main characteristics of twentieth century economics. Approaches that reject these positions and offer alternative views may be described as dissent. There are thus many possible strands of this dissent. Dissenting views can stress evolutionary processes and sociological variables, focus on production rather than exchange, emphasize circularities in the production process, view material provisioning as the object of economic inquiry, endogenize technological change, reject positivism and formalism as tools of social inquiry, embrace structuralism or holism over methodological individualism, emphasize the dynamic features of capitalism, emphasize changing historical and institutional contexts rather than universal laws, reject rational economic man, or conclude that problems such as persistent unemployment, maldistribution of income and poverty are normal and systematic tendencies of modern capitalism.

This list is not exhaustive. Likewise, it is not necessary that dissenters subscribe to all of these positions. Nor does this deny the possibility that work which is in, or comes out of, the neoclassical tradition might take some of these views. In the case of Lowe, however, these fine lines are not a problem. This is because his work departs strikingly from the neoclassical school in many ways. What makes Lowe particularly interesting is that his dissent differs not only from the neoclassical mainstream, but also from the most prominent dissenters. Lowe has often played down this aspect of his work. Moreover, Lowe has consistently stressed the importance of moving beyond negative criticism to offering positive alternatives.

THE NATURE OF ECONOMICS

For Lowe (1965, pp. 6–18) economics is concerned with providing material means, or harnessing society’s material resources to provide for the needs and wants of its members. Such a view was attacked by Robbins (1962, p. 16), who defined economics as ‘the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses’.
Lowe (1965, pp. 9f., 13) rejected the "grandiose expansion of economics into a general "logic of choice"", de-emphasized the central place of the concepts of 'scarcity' and 'unlimited wants', and exposed their supposed universality as historically, culturally, and institutionally constituted. He argues that the neoclassical notion of scarcity is a relative notion, relative to unlimited wants. In fact, however,

the wants which require material means for their satisfaction are by no means intrinsically limitless ... [because] we can certainly conceive of many states of prevailing cultural value system would limit the scale of wants requiring material means (Lowe 1965, p. 10f).

Thus, the size and distribution of material output relative to requirements for human subsistence and cultural values determine the importance of scarcity. As a result, the 'scarcity of resources cannot be made the criterion for economic activity' (Lowe 1965, p. 12).

Lowe uses two heuristic devices to highlight the fundamental technological and material basis of economic activity. The first is a Robinson Crusoe story, which might seem surprising given Lowe's vision of the economy as embedded in social life. He is aware of the misuses to which this fiction has been put in the history of economics; Lowe (1965, pp. 6f.) engages in the Crusoe exercise because he recognizes that the sociality of economic activity is so overwhelming that it threatens to blind the observer to the material-technological core of any economic system.

The primary task for Crusoe is to transform material inputs into outputs adequate for reproduction. The traditional emphasis on maximizing output through time is a trivial, obfuscatory non-issue; whatever allocation between consumption today and consumption tomorrow Crusoe selects will be optimal by virtue of the fact that he chose it over any possible alternative. Likewise, meeting material requirements for biological subsistence is a necessary pre-condition for experiencing 'utility'.

Lowe argues that the determinants of Crusoe's decisions concerning resource allocation is technological; that is, his commonsense knowledge of the feasible methods of transforming available resources into outputs that replace the reproducible inputs used up in production, including the replenishment of his own labour power. Such knowledge pertains to 'engineering rules in the widest sense of the term' (1965, p. 18, original emphasis). Material provisioning is thus likely to be inconsistent with independent economic laws regarding human motivations and/or behaviours. Crusoe's behaviour must be suitable for the adequate application of such rules to the production of the prescribed outputs; there is no necessary reason why an independent behavioural law will result in suitable behaviour.

Lowe's view of technology as the core of economic activity is revealed though another heuristic device – a fully automated system of production and distribution. Under such conditions, once computers are programmed, 'the structure of the path and the operation of the active "forces" suitable for goal attainment ... can be derived from the knowledge of engineering rules alone' (Lowe 1969a, p. 24). In this case, the active forces are 'subhuman', but the system leads to several important insights: it stands to reason that the behavior of the human agents must follow a path identical with that pursued by the automated system. Under no circumstances must it be ruled by laws of its own' (Lowe 1965, p. 333).

Lowe (1969a, p. 21) emphatically denies his position is 'that economics is nothing but technology', but once a particular end state has been stipulated 'the search for the suitable means is first of all a study of the suitable materials, devices, and processes – in a word, a technological problem'. Behaviour suitable to activate the system must be free to conform to the requirements imposed by such goals and rules, and thus will likely be inconsistent with 'extraneous' laws of economic behaviour (Lowe 1965, p. 333).

This view of production contrasts sharply with the neoclassical focus on exchange, choice and utility maximization. Rather, it follows along the lines of F. Quesnay's Tableaux and Karl Marx's reproduction schemes, which deal with physical flows, technical conditions of production, minimum and maximum (physical) conditions, and sectoral proportionality and balance.

In fact, during the 1920s Lowe and his colleagues at Kiel University used Quesnay–Marx reproduction models to analyse accumulation, cycles, employment, and structural and technological change. Lowe expanded Marx's Department I into two sectors, producing means of production for the capital goods and the consumption goods sectors, respectively. He was then able to demonstrate the fruitfulness of isolating the machine tools sector when studying structural change in industrial systems. This entailed a critique of E. von Böhm-Bawerk's 'linear imperialism', but led ultimately to what Gehlke and Hagemann (1990, p. 24) have called 'a unique synthesis of Austrian sequentiality and classical (or Sraffian) circularity'. Thus, while dismissing the linear view of production and reviving the view of production as a circular process, Lowe (1976, p. 34 n. 6) also rejected as 'an extreme position' Sraff's 'elimination of linear processes of production altogether'.

Lowe begins with a technical sequence of production depicting working capital moving through a series of successive stages en route to becoming final output. We can follow working capital through a series of transformations, such as cotton–yarn–cloth–dress in dress production or
wheat–flour–bread in the production of bread. At each stage, labor ($N_i$), natural resources ($R_i$), and fixed capital ($F_i$), combine to produce the working capital ($W_i$) as output:

$$N_1 \cup R_1 \cup F_1 \rightarrow w_1 (= \text{cotton})$$
$$N_2 \cup R_2 \cup F_2 \cup w_1 \rightarrow w_2 (= \text{yarn})$$
$$N_3 \cup R_3 \cup F_3 \cup w_2 \rightarrow w_3 (= \text{cloth})$$
$$N_4 \cup R_4 \cup F_4 \cup w_3 \rightarrow w_4 (= \text{dress})$$

Except for the first stage, working capital from the previous period, $w_{i-1}$, is also an input. This follows along the lines of the Austrian linear view: the process can be traced back from the final output through each intermediate stage to an initial stage in which no working capital had been taken over from a previous stage. The picture, however, as thus far presented, does not explain the origin of fixed capital. In addition, accounting for the origin of fixed capital would only guarantee temporary provision; continuity of production requires the ongoing replenishment of stocks undergoing wear and tear in the production process and thus a second sector in which fixed capital equipment is produced and reproduced.

Thus if $F_i$ to $F_4$ are gin, spindle, loom, and sewing machine, a technical sequence of production of several stages may be derived for each, similar in structure to that of dress production, but with inputs appropriate for production of the equipment good as final output. The weakness of this solution is immediately clear — another production flow will be required to account for the production of the fixed capital used to produce the gin, spindle, loom, and sewing machine. The analysis appears mired in an infinite regress. Lowe rejected the possibility that industrial production could be accurately described by such an infinite regress.

The Austrian solution was to posit some original stage where only labour and natural resources were used. Lowe rejected this on historical, theoretical, empirical and commonsense grounds. His solution to the infinite regress came from a clue in the bread production example given above. When specifying the input requirements for bread production, one in particular stands out:

We can imagine dispensing with plows and, perhaps, even human labor, and yet raising wheat, but we cannot imagine dispensing with another input so far not mentioned: seed-wheat. But what is seed-wheat, and how is it obtained? It wheat, and it is a moot question whether it can really be called a natural resource. But whatever the correct classification may be, seed-wheat not only is indispensable but it possesses an outstanding quality which is absent from

flour and bread, from plows and mills and ovens: the power of self-reproduction. Differently stated, seed-wheat as an input is capable of producing two types of outputs: bread wheat as a potential consumer good and seed-wheat as its own replacement good. (Lowe 1965, pp. 269f.)

The technological condition for continuous production of wheat is the physical identity of the input and output — its capacity for self-reproduction. A similar condition might also explain the seeming paradox of infinite regress in the replacement of fixed capital. Lowe searched for a special equipment good that could produce other equipment goods as well as reproducing itself.

What we actually find is not one such mechanical instrument, but a comprehensive group which is defined as machine tools. In conjunction and combined with labor and working capital goods such as steel, machine tools are the progenitors of all other machinery and also of themselves. For the physical maintenance of an industrial regime of production they play the same strategic role as seed-wheat plays in agriculture, and the reproductive system plays in the maintenance of organic life. (Lowe 1965, p. 270, original emphasis)

Thus it is not necessary to add more sectors in order to depict industrial production. To focus on the crucial role of the machine tools sector, it is sufficient to divide the capital goods sector into Sectors 1 and 2, producing means of production utilized in capital goods production and consumption goods production, respectively.

One result of this analysis is that a primary obstacle to running an economy at full employment after unexpected changes in technology, or the supply of labour or natural resources, is the inadequate structure of the real capital stock. The problems are technological: 'Obstruction of resource shifts, bottlenecks in production, inelasticity of supply owing to the longue durée of capital formation and even more to the large costs of sunk capital' (Lowe 1976, p. 9). Recognizing these bottlenecks, rigidities, distortions, and time lags brings issues of the 'formation, application and liquidation of real capital' (Lowe 1976, p. 10, original emphasis) to the centre of the production process.

This modified circular reproduction framework contrasts sharply with the static equilibrium models of neoclassical theory. As far back as the 1920s, Lowe (1926) rejected static equilibrium models as unsuitable for analysing systems exhibiting periodic fluctuations, and called for uncovering the endogenous determinants of business cycles. While others thought that monetary crises led to the business cycle, Lowe claimed that these explanations were insufficient, and put forward the view that technological change was the primary disturbing factor. In addition, Lowe felt that Keynes did not pay adequate attention to technological change and its labour-displacing effects.
LOWE’S DISSENT AGAINST SUPPLY AND DEMAND ANALYSIS

By the 1930s, Lowe came to reject the orthodox idea that universal economic laws exist. At that time he began to explore the notion that economic theories are historically relative, their differences deriving primarily from the selection of data depicting structural features representing alternative historical economic systems. Conventional market generalizations described a very specific set of socio-historical circumstances; these generalizations were not applicable to modern industrial capitalism.

Lowe focused on the law that traditionally performs the theoretical role of providing stability in a liberal society using markets to organize its economic life – the law of supply and demand. In dissecting the law of supply and demand Lowe begins by distinguishing between behaviour and motivation. The determinacy and stability of traditional theory, Lowe stressed, depends on how buyers and sellers behave in response to price changes and how they behave in the face of excess demand or supply. This simple observation undermines the traditional association of individual free choice with market order under laissez-faire. Individuals are free to choose, yet they must choose to act in accord with the law of supply and demand for markets to function. Truly free choice, however, leaves behavioural outcomes indeterminate. Lowe (1935, pp. 51f; 1951, pp. 405, 413) thus dispenses with the neoclassical idea that utility (or any subjective principle) can be the basis of economic theory. Assuming free choice, behaviour guided by the utility principle cannot guarantee actions in accord with the law of supply and demand.

Behavioural stipulations require some objective principle. ‘Economic man’ performs this function for traditional theory. Citing historical examples and drawing on the work of anthropologists, Lowe (1935, pp. 50f; 1942, p. 436; 1951, p. 405) questioned whether economic man could provide a universal depiction of human nature. Individual identity is complicated, contradictory, multifaceted, and socially constructed for Lowe. Individual decisions are the ‘result of fragmentary experience and information, of speculation and hunches, and ... of communication with others’ (1965, pp. 16f, emphasis added). Also, both buyers’ preferences and sellers’ incentives ... give way to all sorts of personal, national, racial, and other discriminations’ (Lowe 1951, pp. 413). This contrasts sharply with the traditional view of economic man, which presents the economic subject as natural, universal, and coherent, and identity as fixed and asocial (Milberg 1991, pp. 93, 96). Lowe (1951, pp. 424f) rejects methodological individualism because it takes the subjectivity of agents as given; rather, continuously changing social structure shapes and reshapes each participant’s interpretation of market events.

Lowe (1951, p. 409) recognizes that traditional economics treats behaviour inconsistent with the economic man construct as a deviation from the normal case. But he points out that acceptability of the construct depends on demonstrating that the normal case guarantees a determinate outcome. This, Lowe argues, cannot in fact be demonstrated. Even if the profit motive is assumed, this does not assure conduct in accord with the law of supply and demand. It is simply not sufficient to describe motivations.

Unfortunately, not even in a completely rational world – in the sense of one completely motivated by pecuniary considerations – would actions in accord with our law rise to the level of causal necessity. Rather it has to be admitted that calculation of pecuniary gains often suggests behavior that sharply contradicts its propositions. From all this we have to conclude that neither an understanding of human motives in general, nor the special criterion of the pecuniary motive, entitles us to predict any one course of action as the normal outcome of changes in demand or supply, or of variations in price. (Lowe 1942, p. 437)

For Lowe, then, the law of supply and demand has no claim to either causal necessity or statistical probability. Neither free choice nor rationality guarantee any determinate outcome, much less behaviour consistent with the law. Under such circumstances, the law can only be understood as a prescription or stability condition. In this sense it constitutes a general rule of conduct regarding market behaviour, and thus its usefulness for explanation or prediction depends on the concatenation of factors that determine the resilience of the rule and rule-following behaviour (Lowe 1942, pp. 433, 446, 451; 1951, pp. 415f).

The order-bestowing properties of the law of supply and demand, however, are not unleashed when individual conduct conforms to the behavioural stipulations of economic man; rather they arise from the regular behavioural patterns that result from aggregating the individual behaviours of all market participants (Lowe 1935, pp. 60f; 1951, pp. 411f).

Each and every act of material provisioning entails a sequence of subactivities requiring a ‘chain of interlocking decisions’. For decisions to interlock in this manner, market participants must be able to predict the response of other participants to their own decisions or behaviour (Lowe 1942, pp. 439ff; 1951, p. 412). Otherwise, there will be no reason to expect that one’s actions will lead to the intended outcome. There are, however, no logical or psychological reasons why an individual should be able to predict the decisions or behaviour of all other market participants (Lowe 1942, pp. 443f). Moreover, while an objective social rule might play
a role in decreasing the instability resulting from uncertainty, 'the radical subjectivism of the marginalist school has deprived modern theory of any criterion by which a pattern of interlocking choices can be distinguished from a sum of random choices' (Lowe 1942, p. 445, original emphasis).

Behaviour consistent with the law of supply and demand thus requires not only that individuals intend to behave in conformity with the law, but also that they expect others will do so (Lowe 1969b, pp. 180ff.). Paying careful attention to the impact of (historically changing) socioeconomic structure on behaviour and motivation, and the changing limits upon and consequences of economic action under different structural and institutional conditions, leads to conclusions quite different from the neoclassical and the Austrian schools. Even assuming both a behavioural code in conformity with economic man and stabilizing expectations, these can only secure the willingness to respond in a manner conforming with the necessary conduct; if there is to be system stability, the law also requires assurance concerning the ability of market participants to respond as well.

In the first instance, preconditions for this ability include certain rights (usually identified with private property) regarding access to, and utilization and disposal of, resources, the right to engage in contractual relations, and other political and legal conditions associated with a society of 'free exchange' (Lowe 1935, pp. 56ff.). The ability to respond also implies a high degree of mobility. This is especially significant on the supply side, where producers must be able to increase supply when prices rise.

A technical structure enabling quick response to changing market conditions will also have a stabilizing effect on expectations, while a structure that makes response difficult will be destabilizing. 'The faster the required adjustment can be carried out, the nearer to the present are the relevant future dates, and the smaller the danger that uncalculable events will interfere' (Lowe 1951, p. 429). This highlights an essential feature of Lowe's analysis of expectations, and the main flaw in Keynesian and Austrian analyses of uncertainty – the importance of economic and technological structures in shaping and determining expectations.

We can thus begin to comprehend how the same motivating force (the profit principle) can express itself in diametrically opposed forms of conduct, or how the same conduct can induce different responses by other market participants. The key for Lowe (1942, p. 456; 1951, pp. 420, 429) is the socioeconomic structures and institutional contexts that prevail in a particular case.

Dependence of the law of supply and demand on such factors has implications for the extent and substance of any changes in economic structure that are possible without threatening breakdown of the conditions for its operation. Thus economic and social evolution not only must exhibit regularity, it must also exhibit regularity of a specific type – regularity conforming to the requirements for the existence and stability of the law (Lowe 1935, pp. 70–73, 92).

Lowe (1935, p. 73) uncovers the sociological assumptions of the law of supply and demand, thereby defining the institutional setting for its applicability. These data are broadly identified as the behavioural code of economic man and the institutional and technical environment implicit in the concept of 'free competition'. Thus, the probability of the law's operation depends on the probability that such structural conditions actually apply.

Such a concatenation of structural features is more appropriate for early capitalism than for modern industrial society (Lowe 1935, p. 59). This does not mean that human nature in that early period is properly depicted by the economic man construct. Rather, Lowe (1942, p. 452) identifies 'exogenous stabilizers' that have historically compensated for whatever deviations might threaten the stability of the system. Large portions of the population living at or near subsistence negate the need to either assign particular psychological characteristics to human nature or establish social pressures to behave in conformity with the credo of the economic man. In this case, a certain type of maximizing behaviour is rooted in the pressures for survival (Lowe 1951, p. 414).

At levels above subsistence greater discretion is possible, although the profit principle may still be valid by determining 'upper and lower levels of extravagance'. Interestingly, Lowe (1951, p. 415) points out that the range of individual deviation permitted under these circumstances has no necessary relation to the system's ability to tolerate those deviations, leading him to conclude that while 'occasional breaches may be tolerated ... the system will collapse before the exception becomes the rule'.

Lowe places even more emphasis on the different technological structures in early market society and modern capitalism. Small-scale, labour-intensive production, carried out by independent producers with low fixed costs and operating at low levels of mechanization, makes for greater mobility. It therefore results in a high degree of adaptability to price or quantity variations. Large-scale, modern industrial capitalism, with its huge fixed costs, capital-intensive methods and rapidly changing technologies, is characterized by great immobility, and thus an inability to make fast adjustments (Lowe 1935, pp. 57ff., 87f., 109). These differences in technical structure are at the root of a whole series of social and institutional transformations: 'It has transformed private property into monopoly, money into capital, money incentive into the acquisitive drive, and the utopian possibility of a moving equilibrium into the historical reality of the trade cycle' (Lowe 1935, p. 128).
Claims for the universal applicability of traditional theory must be rejected, in so far as determinacy is guaranteed only under 'one very definite and exceptional social order' (Lowe 1935, pp. 147f.). Traditional economics obtains its exactness and determinacy not by abstracting from sociological and historical factors, but rather as a result of the narrow limits of its applicability that follow from its underlying sociological assumptions. The laws of traditional economics are not absent because of their purity, but rather because of their limited sociological, psychological and technical applicability (Lowe 1942, pp. 456f.) Thus Lowe's (1935) 'plea for cooperation in the social sciences'.

LOWE'S INSTRUMENTAL METHOD

Just as the law of supply and demand does not apply to the contemporary economy with a high degree of reliability, so too the structural characteristics of modern industrial capitalism are not adequately depicted by traditional theory. Lowe's view, however, was not simply that a different theory was necessary, one which more adequately represented the structure of modern capitalism; at this stage, he began to put forward the view that the nature of the modern industrial process is such that the data itself is largely determined by economic processes (see, for example, Lowe 1935, pp. 97ff.)

From roughly the mid-1930s to the mid-1950s, Lowe (1935, p. 98) referred to the approach he was attempting to develop as 'modern realistic theory', an approach to the dynamics of capitalist accumulation that would adequately consider both economic structure and process. The central focus of this analysis is the business cycle. But any theory of cycles must be accompanied 'by a theory of the evolution of its social data', since 'essential variations of those data are effected by the course of the trade cycle itself' (Lowe 1935, pp. 93ff.). In such circumstances, 'any deductive operation with invariable data is defective from the very outset' (Lowe 1935, pp. 138f.), and the structural conditions themselves must become the object of theoretical inquiry (Lowe 1936, pp. 23f.)

Lowe was committed to the idea that regularities exist and could be uncovered, even though they were different regularities than those described by traditional theory. These were the 'strange regularities of the real dis-equilibrium' (Lowe 1935, p. 90). Although Lowe (1936, p. 25) did not feel that the exactness and determinacy of traditional market generalizations would be obtainable, he felt this loss was necessary in order to regain realism. But Lowe (1951, p. 403) held steadfast to the view that the traditional method, if refined, could help analyse the modern system. By the late 1950s, Lowe began to see that historical changes in the structure of capitalist society altered economic inquiry in such a way that the traditional methodological approach had to be abandoned. Analysis henceforth had to be conducted within an alternative, instrumental framework.

Lowe's critique does not focus on flaws of the deductive method. In fact, he believes that social and technological conditions rendered it appropriate for the period of Classical analysis (Lowe 1959b, p. 163; 1969a, pp. 3, 11, 12, 28, 32; 1976, p. 7; 1977, pp. 46, 68ff.). However, with the historical structural-technological transformation of capitalism and associated feedback effects resulting in environmental, institutional, behavioural and socio-psychological changes, these conditions no longer hold (Lowe 1937, pp. 163–6; 1965, p. 325; 1969a, pp. 3, 11, 32; 1969b, pp. 169–71, 180; 1987a, p. 236). Such factors include the increasing concentration and centralization of capital; the rapid pace of technological change; the emerging middle classes in industrialized nations; the increasing role of the state in the economy; and the environmental impact of economic growth.

From the end of the 1950s, Lowe rejected the argument that the historical changes from early industrialization to modern industrial capitalism merely indicate a shift from one kind of stable system to another. Rather, the traditional 'deductive method [is] inapplicable ... [because] neither the macro-movements of modern markets nor the underlying micro-patterns of behavior exhibit the degree of orderliness that is essential for scientific generalization' (Lowe 1969b, p. 180). The ability to make abstract generalizations serve as high-level hypotheses from which deduction can proceed requires that the research object exhibit some minimum degree of orderliness. Without such minimum order, the generalizations necessary to employ the traditional deductive method cannot be made.

Discussion of Lowe's methodological work has focused on his thesis that the regular behavioural and motivational patterns, upon which scientific generalizations depend, can no longer be trusted. In Lowe's (1969a, p. 15) 'inclusive concept of order', the ability to identify reliable phenomena is a necessary but not sufficient condition for the appropriate applicability of the traditional deductive method. It is also required that the macro outcomes of such behavioural and motivational patterns be consistent with society's macro goals (Lowe 1969a, pp. 6f.). Order must thus be understood in the double-sense of underlying regularity of the research object and socially satisfactory macro outcomes.

This position is certainly foreign to the traditional method and contrary to the usual view that theorizing about an economic system is separable from whether or not that system produces an outcome which is
consistent with society’s goals. In such a view, if society does not like the economic outcomes, then economic policy is undertaken. In contrast, Lowe (1969a, p. 7) emphatically rejects any approach that neglects consideration of macro outcomes at the ground level of theoretical analysis. Furthermore, he believes that primary interventions are no longer adequate to address the inability of the market system to result in goal-adequate outcomes (Lowe 1969b, pp. 169, 188f). The separation of positive and normative ‘can no longer be justified ... recent developments demand the conscious integration of the analytical and normative aspects’ (Lowe 1967, p. 180).

Rather than taking initial conditions as given and attempting to predict outcomes, Lowe proposed starting with a predetermined end state. The task then becomes to derive, or discover, the technical and social path(s) by which those outcomes might be achieved, the behavioural and motivational patterns capable of setting the system on to a suitable path, the environmental contexts capable of encouraging these patterns, and the policies shaping or creating the environmental contexts. Economic theory must not determine the ends (macro goals) but devise the means for their attainment.

The Instrumental Method is thus a regressive procedure. It begins from where we want to go, and works backwards to the present state or a state within our reach (Lowe 1977, pp. 143f). Analysis moves from our goals to the conditions for their attainment. This is the realm of structural analysis, which investigates the technical consistency of goals without any reference to assumptions concerning behaviour or motivation. In other words, the procedure is independent of any behavioural assumptions (Lowe 1969a, pp. 23f; 1969b, p. 182).

Such independence from behavioural assumptions broadens the range of economic theory. Lowe believed that the deductive method was appropriate for the special case in which motivational and behavioural patterns exhibited in the system provided a particular and sufficient orderliness. Historically, these conditions were satisfied during early industrial capitalism, when external natural and social pressures emanating from a specific constellation of structural features enforced such motivational and behavioural conditions. Instrumentalism encompasses this special case, as well as other cases where motivational and behavioural patterns do not satisfy these conditions (Lowe 1969a, p. 32). In this sense, Political Economics may be seen as a general theory of economic structure and behaviour.

Since the traditional deductive method is no longer possible, it might be thought that deduction itself is rendered obsolete. But through the conscious recreation of the conditions appropriate for its application, the possibility for powerful economic reasoning of this type is recaptured.

Lowe’s (1992, pp. 326f) analysis thus provides a foundation for ‘the restoration of deductive theory’. Since the conditions are established by design and control, replacing the deductive method with the instrumental–deductive method becomes ‘the core of Political Economics’ (Lowe 1969b, p. 179).

Far from endorsing rational planning, Lowe explores the possibilities of instrumental inference as a policy-discovery procedure. Drawing on the work of Michael Polanyi, Charles Peirce and Norwood Hanson, he investigates aspects of the policy formulation process that employ tacit knowledge, retroduction and other heuristic problem-solving techniques. Instrumental inference is characterized as a ‘search procedure’ and a ‘mental technique of problem solving’. Solutions are discovered ‘through what Polanyi calls a logical “leap”’. ... But they are not leaps in the dark. ... [O]ur search is guided by past experience, analogies, and other clues. Yet it remains true that our ultimate insight springs from a non-rational act of “imagination”’ (Lowe 1969b, p. 183).

In this sense, instrumentalism is not new. The implicit procedures and tactics of problem-solving, taken for granted in the scientific community, for the most part remain behind the scenes. Lowe calls for making these procedures conscious, and for recognizing their potential contribution to successful policy-making.

Lowe’s work, and his original dissent, stem from his daring to imagine what might be. Lowe dared to imagine the possibility for greater cooperation in the social sciences, dared to imagine the possibility for a more realistic theory, dared to imagine the possibility of a healthier economy and a better society. It is this challenge – imagining the possibilities – that instrumentalism brings to economic theory, methodology, and public policy.

REFERENCES


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Frederic Lee

THE NATURE OF DISSENT

A survey taken at the Royal Economic Society or the American Economic Association meetings would probably reveal that economists view themselves as dissenters. But following these economists to their sessions and listening to their papers, one would most likely see rows of mathematical formulae, and hear about unstable Nash multi-equilibria and rational economic agents maximizing their net present value. Were economists lying when they claimed to be dissenters? The answer is 'no', since the term 'dissenting economist' does not have an unambiguous meaning.

Accepting for the moment that economics is dominated by neoclassical economics, it is clear that there exists a high degree of functional and strategic dependence among its practitioners. This is due to the customary methods of analysis and commonly accepted topics for investigation. These are emphasized in textbooks, and used to train economists at both the undergraduate and graduate levels. Within this context, an economist can accept the defining features of neoclassical economics (such as relative scarcity, maximization, rationality and mathematics qua equilibrium) and still be a dissenter if they utilize a new accepted mathematical technique to examine some 'strange' hypothesis. Thus, many economists see themselves as dissenters because of the unusual methods they use, the questions they ask, or the topics they investigate (Whitley 1984, 1986, 1991; Coats 1984).

That neoclassical economics should have in-house dissenters is not surprising, since such individuals have shaped its evolution over time. In-house dissenters generally have the support of well-established reputable economists. They deliver papers at the annual conferences of the Royal Economic Society and American Economic Association; they are not discriminated against by the top journals; and they are openly accepted at the best PhD-awarding economic departments. In short, most