

Review of “From Political Economy to Economics: Method, the Social and Historical
Evolution of Economic Theory”

by

David Colander

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DEPARTMENT OF ECONOMICS
MIDDLEBURY COLLEGE
MIDDLEBURY, VERMONT 05753

<http://www.middlebury.edu/~econ>

***From Political Economy to Economics: Method, the Social and Historical Evolution of Economic Theory.* By Dimitris Milonakis and Ben Fine 374pp, London and New York, Routledge, 2009. And *From Economics Imperialism to Freakonomics: The Shifting Boundaries between Economic and other Social Sciences.* By Ben Fine and Dimitris Milonakis” 200pp. London and New York, Routledge, 2009.**

In this review, I consider two books, *From Political Economy to Economics* and *From Economics Imperialism to Freakonomics*, which are part of a trilogy of books on the economics profession by Dimitris Milonakis and Ben Fine, (The third, forthcoming book is entitled *Reinventing of Economic Past: Method and Theory in the Evolution of Economic History*.) In these two books the authors explore numerous issues in the history of economic thought and economic methodology. In doing so, their goal is, as they tell the reader in the preface to *From Political Economy to Economics*, “the rediscovery of the political economy of the past in its social, historical and methodological richness, and the corresponding rejuvenation of the political economy of the future.” Their approach is sweeping; they cover an enormous breadth of material, some broadly and some in minute detail. Both books are insightful, and reasonable; I found myself agreeing with much of what the authors argue.

Political Economic To Economics: Method, the Social and Historical Evolution of Economic Theory consists of 15 chapters. After an introductory chapter outlining their arguments, the various chapters go through the ideas of Smith, Ricardo, Mill and Marx, the German historians, marginalism and the methodenstreit, Marshall, British historical economics, Veblen and American institutionalism, the social economics of Weber and

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Schumpeter, Robbins, Menger, Hayek, and Keynes. The book concludes with a chapter entitled “Beyond the Formalist Revolution.” As should be clear to the reader, the topics covered parallel the standard topics of a history of thought text, and in some ways, this book can be seen as a history of economic thought text.

That, however, would be an incorrect characterization for two reasons. The first is that the coverage they give to various topics varies enormously in its depth. At times the book reads like a text written for students; at other times it reads like a scholarly treatise written for history of thought scholars, based on a transcription of margin notes and comments that two careful scholars jotted down as they were reading the literature on the topic. Some topics get in-depth discussions, and seem to be written as responses to existing scholarly literature, while other topics are skimmed over and do not get even cursory textbook expositions. The second reason is that the goal of the book is not to be a neutral text; the authors have a point of view, and the book conveys that point of view. Their concluding remarks summarize their views.

The current generation of political economists has a major responsibility in sustaining their critique of orthodoxy in and of itself and in constructively offering alternatives especially in relation to interdisciplinary—rather than retreating into a strategy for tenuous survival on or outside the markets of orthodoxy. By the same token, there is responsibility amongst non-economists to take political economy seriously rather than to dismiss all economic analysis as inevitably reductionist simply because it is dominated by an orthodoxy which is irretrievably so. (pg 308)

This conclusion captures the tone of their critique. They believe that the best approach is to be found in a political economy that is broad-based and interdisciplinary. In their view, modern economic analysis has become hopelessly formalized, so the future of political economy lies in interdisciplinary work that somehow will emerge.

The second volume, *From Economics Imperialism to Freakonomics: The Shifting Boundaries between Economic and other Social Sciences*, takes up a particular sub area of the first book—the shifting boundaries between economics and the other social sciences. This sub area is related to their overall theme that the future of political economy is to be found in interdisciplinary work. The book consists of ten chapters that consider work involving what they call economic imperialism. This includes the rational agent work of Becker, the public choice of Buchanan and Tullock, the information theoretical approach of Akerlof and Stiglitz, as well as the new institutional economics. They also discuss the work of Coase and Levitt. These discussions, like the discussions in the first book, read a bit like reading edited notes written by scholars while reading the vast literature. The authors recognize this and in the preface they tell the reader that the analysis is partial and incomplete; they appropriately describe it as “a staging post in what is a continuing programme of work.”

The “staging-post” nature of the book can be seen in their discussion of *Freakonomics*. Since they included the term in the title, I had expected the topic to be central to the discussion of the book. It isn't. Their discussion of *Freakonomics* consists of two and a half pages starting with the Wikipedia entry for *Freakonomics*, and then saying that the truth about *Freakonomics* is more complicated. They write, “there is apparent distance between *Freakonomics* and economics imperialism although, not

surprisingly, it does not approach absolute detachment.” (106) This statement is followed by some reasonable comments about the *Freakonomics* book, pointing out that it is not closely tied to theory, that is largely statistical in nature, and that this non-theoretical, largely statistical approach is the approach that is often used in modern economics. After those brief comments, their discussion evolves into a discussion of Paul Romer’s response to a question about Schumpeter and Barro-type regressions of growth theory. *Freakonomics* is no longer discussed.

I fully agree that modern applied policy economics is highly connected with statistical work and is largely non-theoretical. In fact I see the interdisciplinary future of economics as highly connected to advances in statistical work. In my writings, I have emphasized that empirical work has displaced theory as a driving force in economics. I would have loved to see the authors’ views on these issues. I did not find it.

The book concludes with three “wither” chapters—wither economics?, wither political economy?, and wither social science?. In the last of these “wither” chapters the authors reiterate the theme that ties the books together. They are calling for the renewal of political economy in the classical tradition. They see the task as one of moving beyond what is wrong with the mainstream to offering alternatives that are liable to have an impact on the study of the economy. They write, “A new and truly interdisciplinary political economy, then, is necessary, focusing on the economic but fully and consciously incorporating the social and the historical form the outset.” (pg 173)

I am broadly sympathetic to the author’s goals, and found much in the books to like. I agree with the authors that the goal of reform minded economists should be to

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establish a political economy that is broad based and reasonable. However, I suspect we differ significantly about how to get there, and about how much complaining about unfairness is helpful in achieving our desired ends. I also suspect we differ in how much good there is in modern economics. My view is that the movement toward game theory, the broader acceptance of a complexity vision of the economy, and the enormous advances in statistical techniques have made modern economics quite different from its earlier incarnations. Modern economics is not neoclassical and does not deserve to be condemned or lauded on neoclassical grounds. Modern economics is still finding its footing, and my push has been to develop within economics a better sense of where formal theory helps and where it does not. I have also tried to explicate where I see institutional incentives driving economists to follow what I see as less-than-advantageous tasks. In other words, I see the future of political economy as primarily coming from within the economics profession, and not from outside. I am working within the profession to further that development.

The authors seem to have given up on the profession. They see a revolution in economics and development of political economy coming from outside the economics profession. While I would certainly support such a revolution from without (which does not preclude an evolution from with—indeed the two will likely co-evolve) I am not clear about how they see such a revolution in economics coming about. They call for a new interdisciplinary political economics that will impact on society. I applaud that call. But to be a meaningful call, they need to tell readers how this new interdisciplinary political economics will come about. It will not arrive spontaneously. It will have to develop within the current academic institutional structure. Will it arise from other social science

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departments? Will it arise out of current economics department? Perhaps their third book in the trilogy will provide the answers.

David Colander, Middlebury College