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Economic Policy: Science or Ideology?

(Part One)

Carlos Lessa*

So many different criteria are used to define the nature of economic policy that when analysing them the author feels that he is in the midst of a thick tropical jungle. His objective is nevertheless to present them in a systematic and orderly fashion, primarily in order to help those venturing into the jungle for the first time.

This is no easy task, even when, as in the case of this article the objective is merely to order those criteria which the author classifies under the label of 'official economic science', since the latter is not a clear, well-defined body of theory but rather one full of variations and nuances; variations caused not only by the shifts which have occurred in the course of a long intellectual history but also by the adaptations made necessary by major economic and political changes.

At the start of the first half of this article—the second half will appear in the next issue—the author presents and criticizes the approach of L. Robbins who, he believes, represents the high point of a process of 'asepsis' in economic policy which began in the latter half of the last century. The critical analysis of the various theoretical attempts to transpose and reformulate the 'Robbinsian formula' in order to apply it to economic policy constitutes the heart of the article; with a wealth of quotation the author outlines positions within the 'official science' and establishes similarities and differences between them as concerns key problems such as the nature and functions of the State, the ends and means of economic policy and their technical and political aspects, the role of the economist and his claim to ethical neutrality, and others.

*A former staff member of the Latin American Institute of Economic and Social Planning of CEPAL and currently a professor in the University of Campinas (Brazil).

Introduction

"Lasciate ogni speranza, voi
ch'entrate".

(Dante)

Our purpose here is to try to reconstruct the contemporary discussion of the concept of economic policy. It is not our intention to present and systematize it in its entirety, which we know to be an impossible task. We believe it is possible, however, to identify the main lines of thought so that they can be analysed, which has, at least, the merit of showing the state of perplexity prevailing on the subject.

We are entering a tropical forest: darkness, trees and bushes covered with parasitic growths, choked with creepers, and no safe paths. It is exuberant, chaotic and unyielding, this conceptual and epistemological jungle of political economics; economic theory; economic analysis; economic science; economic policy; deductive and/or empirical and positive and/or normative science; economics (taxonomy or theory?), meta-theory; formal and/or dialectic logical method (what instrumental inference is valid?); economics reduced to economic policy; economics and economic policy as adjacent or overlapping territories, or as distant countries with different languages; ideology and/or science; economic policy as applied economics, as art or merely as policy; rational, scientific, empirical economic policy; models of various types, and so forth.

Texts proliferate, authors overlap and libraries are bursting. As early as 1891, Keynes *père*—paraphrasing Voltaire's "ninety per cent of arguments are settled with a dictionary"—maintained that the question whether political economics can be considered a positive science, a normative science, an art, or a combination of all three, is, up to a point, merely a question of names and definitions,¹ thus adopting a sceptical position well before the present terminological confusion came into being.

¹J. N. Keynes, *Scope and Method of Political Economics*, London, MacMillan, 1891, p. 36.

In our search for the way out we shall walk in circles and, losing our bearings, retrace our steps, covering swampy ground, stumbling over roots and hearing the underbrush crackle under our hesitating feet. We shall have to climb the tallest tree to discover our bearings. But which tree is the tallest? We entered the jungle prompted by the curiosity of the callow traveller and seduced by the beauty of the forest seen from a distance. Now that we are in it, we see the mould, humidity and darkness; what has become of that magnificent view?

Sticky things, deceptive slippery ground, buzzing and stinging insects — this is the jungle. Inexperienced, we do not know how to find food; famished, we take advantage of only a fraction of what it is offered. We have not been on a 'jungle survival course': on the contrary, we were told that it was a pleasant pastoral wood.

The denizens of the forest —buzzing, soft, hairy, stinging creatures— bewilder, nauseate, frighten and disturb. We entered the jungle armed with Professor Samuelson's *Introduction to Economics* and the goodwill of a boy scout camping in the shadow of Baden Powell. And here we are.

There is no sense in retreating or advancing. The tropical forest with its rapid process of regrowth removes all traces of our footprints. We walk in search of a clearing or better ground and renewed hope keeps up our spirits. Little by little and with great effort we shall gain experience as woodsmen and find better food; the dim light will sharpen our vision; the buzzing and biting will bother us less. Shades, smells and sounds will come to have some meaning for us.

It is quite possible that we shall find no way out of the forest, although there may be several. This possibility does not frighten us. If we can adapt to our new surroundings, we will have a system to guide us in the jungle — we will know how to survive. We will get our bearings and learn to see the wood in spite of the trees; and we shall always have the possibility of living off the

land, and of perhaps some day finding a way out.

The effort to cover the debate on economic policy concepts may lead to injustice being done to a particular text. Without attempting to shirk our responsibility, we lay the blame in part on the authors themselves who often take no pains to clarify their positions and are sometimes confusingly eclectic, or even fail to state their views explicitly. In the outline attempted here the references to the authors are included as a preliminary effort to illustrate 'market' positions, rather than to situate the author in a specific position following an exhaustive appraisal.

We shall attempt to present a tentative classification of the various positions taken on the concept of economic policy, placing them in relation to a frame of reference to be provided by 'official economics', understood here to mean the group of intellectual constructs designed to serve ideologically, as a panegyric or under the cloak of science, in defence of the *status quo* or to propose an internal *modus operandi* to increase the system's efficiency. The limits of this category are relatively undefined, since they even include proposals and demonstrations of the need for perfecting the system, not to mention reformist positions of an apparently radical character. Moreover, the excessively wide-ranging search for a *modus operandi* may lead some sections of 'official economics' to cease to be linked to a given system. Finally, as is well known, the position of 'official economics' develops in line with the changes which occur in the course of the historical evolution of the system it serves.

The choice of 'official economics' as a guiding principle in organizing our attempt at an appraisal does not establish a clear, rigidly defined central corpus. 'Official economics', bedecked in its finery, is in fact fraught with many doubts. In order to freeze history as the promise of change, it is obliged to perform prodigious juggling acts, and has serious problems in reconciling its

two commitments; apologetics are often incompatible with action; the Academy is a coveted ship and its crew fiercely competitive; no system is homogeneous, its dominant groups have their differences which are reflected in the content of 'conventional economics'. As history never stops, the realities and requirements of the system necessitate a periodic revision of the corpus of 'official economics'.

'Official economics' is slow to keep up with those changes and resists the frequent revisions and adjustments. In desiring to

arrest the march of history it collides with it, and this collision gives rise to tremors and earthquakes on official ground. The mere succession of names — political economy, economic science, economic theory and economic analysis— reveals in its semantic transpositions the constant mobility of 'official economics'. These lexicological 'revolutions' reflect the way in which 'official economics' is performing its dual function, and are highly significant as representing a change in the angle of approach to economic matters.

I

Robbins: A Promise of Epistemological Tranquility or a Vacuum

"Nothing is more conducive to peace of mind than having no opinion to express".

(Lichtenberg)

For the purposes of this section, Robbins furnishes a highly useful frame of reference for the classification of the economic policy concepts in vogue. In the third quarter of the nineteenth century 'official economics' was passing through a period of adjustment. Classical and neo-classical thought co-existed, the former in process of going into honourable retirement, and the latter winning its academic palms.

In 1875, Cairness, in *The Character and Logical Method of Political Economy*, suggested a demarcation of the object of economics and its scientific programme of work, which retains something of the classical tradition: "What astronomy was to the phenomena of celestial bodies, dynamics to phenomena of movement, chemistry to the phenomena of the functions of organic life, political economics was to the phenomena of wealth. It proposed laws according to which these phenomena co-exist and are interrelat-

ed; in other words, it set forth laws governing the phenomena of wealth."² In 1874, Walras, in his *Éléments d'économie politique pure*, formally presenting his system of general equilibrium, that synthesis of neo-classicism, says that 'pure economics is, in essence, the theory of the determination of prices in a hypothetical system of absolutely free competition'. Point and counterpoint: the search for laws governing the production and distribution of wealth, and the aseptic determination of the conditions of equilibrium.

Marshall, the master of partial equilibrium, published *Principles of Economics* in 1890. In successive editions revised by the author this was to be, up to the beginning of the 1920s, the neo-classical bible. In the eighth edition (1920) he opens with the words: "Political Economy or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and

²Quoted by W. Stark, in *The History of Economics in its Relation to Social Development*.

social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing. Thus it is on the one side a study of wealth, and on the other, and more important side, a part of the study of man.³ Marshall's summary is strongly reminiscent of classicism.

Cassel's emphasis on the scarcity principle and his rejection of any theory of value appeared in 1918. He argued that the economy is dominated by the principle of scarcity. Since the means for satisfying needs are scarce, needs should be limited and the fulfilment of demand should be reduced to the point where the existing means suffice to satisfy those needs. In an exchange economy, therefore, the scarcity principle consists in the need to co-ordinate consumption with a scarce supply of goods. This is the task of price formation.⁴ Economics is a science concerned with measurable quantities and their mutual relations, and with conditions of equilibrium conceived in quantitative terms.

Thus, 'official economics' enters the twentieth century in three forms: economics as the activity of mankind which contributes to his material well being; economics dominated by the universalizing and timeless principle of scarcity; and economics geared to research on the systems of forces in equilibrium.

Robbins combined these three approaches in a definition of economic science which he felt would give it definitive epistemological status: "Economics is the science which studies human behaviour as a relationship between ends and scarce

means."⁵ He considered that his definition of the field of study of economics solved the awkward problem, implicit in the contemporary definitions of economics, of distinguishing between actions which do and actions which do not contribute to material wellbeing in the obscure and ill-defined field of 'wealth'.

According to Robbins, a question which could not be answered by existing contemporary classifying concepts that sought to distinguish between 'economic' and 'non-economic' aspects was, "how are time and means divided between 'economic' and 'non-economic' activities?" This question always relates to welfare, and any answer would, in his view, place the universe of human action in the economic sphere.

This seemed to Robbins an inexorable conclusion at a time when neo-classical 'official economics' considered the problem of the utility of labour, rent, etc., as a central element in determining equilibrium. Since, therefore, all human action may be studied by economics, there would be no particular field to be labelled as economic, but rather an economic aspect to be analysed in all human activity. Wealth, with the essential attribute of scarcity and the search for wellbeing, always involves an interrelationship between ends and means. The nature of this interrelationship, and the conditions for it to be efficient, form the specific aspect and scientific goal of economics. Robbins suggest a goal which he assumes is compatible with the desire for maximum rationality in all human action. Man always chooses the most efficient ends-means relationship, independently of time and space. Reflection on economic questions, in the field to which Robbins refers in particular, assigns to economics the function of satisfying the demand for efficiency inherent in every human ac-

³A. Marshall, *The Principles of Economics*, London, Macmillan and Co. eighth edition, 1920, p. 1.

⁴G. Stavenhagen, *Geschichte der Wirtschaftstheorie*, taken from the Spanish translation by Adolfo von Ritter-Zahony, Buenos Aires, El Ateneo, 1959, p. 270.

⁵L. Robbins, *An Essay on the Nature and Significance of Economic Science*, 1932.

tion. This 'demand', which must be satisfied by economic analysis, is based on the scarcity of means.

The nucleus of economics, i.e., 'abstract scarcity', is at once useful and limited in relation to needs. The objective of establishing the social laws of production and distribution of wealth is a long way off.

We have chosen this rigorously empty Robbinsian definition on the grounds that it provides a meaningful framework for a long process of erosion and curtailment of the cognitive pretensions of political economy as a science.

The great classical thinkers carried out difficult theoretical gymnastics in order to construct theoretical systems explaining capitalism, shedding light on its structure and movement. The neo-classical liberal thinking of Nassau Senior and Marshall undermined and impoverished the classical construction, proposing that economics should be an instrument for discovering knowledge, and no longer for the sake of knowledge itself. Marginalism declined to reveal the laws of production and distribution of the system in order to construct models of partial and general equilibrium.

Inasmuch as history refused to adhere to the reality of its constructions, neo-classicism proposed for its models a heuristical and axiological value: the formulation of a formal structure on the basis of assumptions regarding initial conditions, and the proposal of behavioural axioms as a frame of reference. This erosion of the epistemological field of political economy finds its high-water mark in Robbins. Not because at that time the process of erosion was reversed, but simply because Robbins' book appeared at a time when capitalism was facing its greatest crisis. When the disenchantment of neo-classicism was at its height, Robbins proposed a formal and universal vacuum. A more perfect flight from reality cannot be imagined.

We shall see in Part Two of this article that this process of erosion continues to eat away at economics, one school of which currently accepts a pre-scientific 'black box' of theoretical instruments, consoling itself with the 'predictive power' of its models.

This is a strange fate for political economy as an 'official science'. It is frequently admitted that the historical development of a science progresses in stages from fragmentary empirical regularity to partial constructions, and lastly to a theory to explain a system or order of phenomena. Political Economy as an 'official science' was at its theoretical high-water mark at birth, after which it lost substance throughout two centuries, at present being confined to the position of a 'tool box'. This is the sad story we come across as we pass through the jungle of economic policy.

Neo-classicism, by the giddy slopes of the study of equilibrium, arrives with Robbins at the universal and strictly formal. An economic aspect exists in all human activity. This aspect —this dimension— is what should be analysed. In the ends-means interrelationship lies the whole question of choice or option. Since man, and by extension society, is rational the choice should be an efficient one. The problem of each individual and each society is to maximize a specific result, according to a given availability of means. Napoleoni, commenting on Robbins, points out the necessary and sufficient conditions for the use of the adjective 'economic': varied goals, a hierarchy of goals, limited means, and means with alternative uses.⁶

Choice is now considered the only unifying principle in economics. Robbins' definition of economics as the science of human action has a series of implications. First, economic analysis is completely neutral as regards goals. Centred on an efficient

⁶C. Napoleoni, *Il Pensiero Economico del '900'*.

co-ordination of means, it is positive (sweet illusion) in the sense that it is free of value judgements (introduced in the objectives), about which it gives no opinion, merely accepting them as given. Secondly, economic analysis is deductive. As regards theoretical research, it will deduce propositions on the basis of universal postulates accepted aprioristically. The propositions deduced will necessarily be valid and have no empirical content. Thirdly, the technical contribution of economic analysis is clearly distinguished: technical knowledge bears out the ability of the means to attain the ends. Economics accepts this proof and assesses the means in terms of their scarcity in relation to the goals chosen.

The formalism and apriorism of Robbins were immediately called into question.

Seligman summarizes the criticism as follows: "The best that could be said about Robbins' methodological presentation was to point to it as a rigorous exercise in economic formalism but one which necessarily prevented the economist from talking about important problems. Choice became an abstract act of behaviour: genuine judgement was impossible because no comment was allowed on how choice was conditioned. As Launcelot Hogben once remarked, rational judgement on choice would require far more knowledge than economists were willing to admit. Perhaps that was why they defined choice as choice. The outcome was so general a formulation of economic science that equilibrium was simply a balance of forces. And economics became a peculiarly depraved kind of scholasticism, a 'barren dialectic of scarcity', utterly devoid of substantive content. In short, Robbins wanted to create an economics so precise in definition and shape, so formalistic, that its very claim to scientific status was threatened".⁷ Which

did not prevent him from being elevated to the peerage.) Some clues to this mystery are furnished later in this article.

Morgenstern, in 1937, attacked Robbins' position on the score of empirical content: the few authors who deny economics the character of an empirical science in an attempt to ascribe to it the higher value of an *a priori* science, are faced with an unenviable difficulty, since on the one hand they neither can nor wish to deny the progress of theory, while on the other hand they see in that progress a serious challenge to the validity of the inferences which refer to economic policy based on these so-called *a priori* proposals. An *a priori* economic theory simply does not exist.⁸

The criticism of Robbins' formalism is summed up by Godelier: economics is no longer a particular area of social life; rather it is an aspect of all human activity with the condition that it contrives to 'economize' its means. All directed activity becomes, strictly speaking, economic, at least in essence. Therefore, none in fact remains economic, and Political Economy dissolves in a general theory of action in which there is nothing to distinguish it from theories of politics, religion, etc.⁹ Thus Robbins ends a long process of economic 'asepsis' initiated in the second half of the nineteenth century.

Robbins, however, did not confine himself to the strictly formal level. To consider economics as a deductive science constructed in terms of universal *a priori* postulates meant that the postulates were selected on the basis of common sense. As regards consumer theory he postulated the existence of preferences susceptible of being ranked in order of priority, explicitly dispensing

⁷B. B. Seligman, *Main Currents in Modern Economics: Economic Thought since 1870*, New York, The Free Press of Glencoe, 1963.

⁸O. Morgenstern, *The Limits of Economics*, London, Hodge, 1937, pp. 144-145.

⁹M. Godelier, *Rationalité et Irrationalité en Économie*.

with the support of any psychological theory; and as regards production theory, he admitted as common-sense postulates the existence of various factors of production and the law of diminishing returns. Even though it involved accepting these propositions solidly based on common sense and without axiological connotations, in accepting these postulates—a consumer/producer dichotomy, preferences (indicating ends), a triad of factors of production and diminishing returns (as means)—Robbins was essentially operating with the neo-classical ideology.

Although his theory lacked content and was severely criticized by his neo-classical colleagues, a legion of Robbinsians existed, and still exists; and everything seems to indicate that it will continue to exist in the future. This is because, as stated by Lowe, “there is only one set of modal micro-goals or action directives which is compatible with the action patterns formulated by the Law of Supply and Demand” and “no concern with any final goals, be they prestige based on conspicuous consumption or preference for the *status quo* of provisioning, or with any other source of ‘satisfaction’, may modify these modal goals”.¹⁰ What does this set consist of? Lowe explains that “the label under which these modal micro-goals appear (as a consensus of the classic and modern market theory) has undergone many changes — from the classical ‘desire to better one’s conditions’ to ‘profit motive’, ‘maximum principle’, etc. We shall subsume this two-pronged action directive —maximization and minimization— under the concept of ‘extremum principle’”.¹¹

Lowe shows that the ‘extremum principle’ is attractive because of its formalism

and because it provides a basis for determining solutions (of course, other conditions also being necessary). The wide acceptance of the Robbinsian definition shows that, despite its obvious vulnerability, it fits like a glove all those who construct economic theory as a system of static equilibrium. Since it is formal and meets a logical necessity of many thinkers, to the extent that economics —like Pontius Pilate— washes its hands of ends, the Robbinsian formula admits of many contents and has everything (or nothing) to please all shades of opinion.

A chemically pure arch-liberal like Von Mises, who reduces economics to two complementary sciences—praxeology, a science of human action, and catallactics, dealing with market situations— is an enthusiastic Robbinsian.

Von Mises says that the object of praxeology is to investigate the categories of human action. To apprehend mentally as many praxeological theorems as may exist, the interested party need only bear in mind the essence of human action. In order to understand the theorems fully, no experiments are necessary. We should concentrate and reflect on the structure of human action. Like logics and mathematics, praxeological knowledge is within us; it does not come from outside. It is a mistake to think that there is a historical way of undertaking economic investigation or that purely theoretical economics exists. We have economics on the one hand and economic history on the other. The two disciplines should never be confused. Every economic theorem is valid and exact when the circumstances envisaged by it are present. Praxeology —and therefore economics— is a deductive discipline. Its logical origin stems from the basis from which its deductions are derived: the action category.¹²

¹⁰Adolph Lowe, *On Economic Knowledge: Toward a Science of Political Economics*, New York, Harper and Rowe, 1965, p. 36.

¹¹*Ibid.*, pp. 36-37.

¹²Ludwig Von Mises, *Human Action*, 1949.

At the other extreme, Lange—a socialist at heart and a neo-classical in his thinking—has also joined the Robbinsian Legion. Lange teaches us that man's economic activity is a conscious and intentional activity. Economic stimuli determine the objectives of economic activity, and the reaction to those stimuli is the adoption of means to serve the attainment of those ends. Economic activity therefore consists in achieving clearly-defined goals through the use of specific means.¹³ After stating that, in capitalism, microeconomic rationality arose at the enterprise level, Lange establishes that in socialism such rationality extends to the whole social sphere. In this passage—where he states his ideological choice—he announces the predominance of the economic rationality principle defined as follows: according to this principle, in order to attain a goal to a maximum degree it is necessary to act in such a way that a given expenditure on means produces a maximum degree of attainment, or a given degree of attainment is achieved with a minimum of means.¹⁴ Since rationality has become the characteristic feature of many sectors of human activity, a problem has arisen, i.e., that of discovering the common denominator of all sectors of rational activity. This gave birth to the science of rational activity—praxeology—which can also be defined as the logics of rational activity.¹⁵

Thus Robbins, as commander of the foreign legion flocking to the flag of formalism, recruits and brings together troops acting with such different motivations; Von Mises and Lange marching together (a fascinating spectacle).¹⁶

The formal attraction of the Robbinsian formula is combined with its powerful appeal at the operational level: at first sight it permits the 'professionalization' of economic thought. Godelier states that formal theory finds its apodicticity demonstrated in the fruitful results of operational research, which has done so much to improve in recent years the practical instruments of economic management; however, operational research is not a branch of political economy, but rather a set of mathematical processes which make it possible to maximize or minimize the value of a function-goal. The most important results of the rational management of an enterprise were obtained by economists, mathematicians or engineers who explored the possibilities of analysis offered by a certain number of old mathematical instruments (infinitesimal calculus) or more recent ones (linear programming, non-linear programming, game theory, etc.).¹⁷

The appeal of the 'operationalization' or 'professionalization' effected under the aegis of Robbinsian science is by no means inconsiderable. It permits the economist to don the cloak of a modest and responsible operator, wearing the badge of science; it affords him the sensation of being an engineer; it enables him to escape Byzantine debates or their disturbing alternative, i.e., trying to grasp the whole picture; it demarcates a field of action. In exchange, he has to renounce his critical faculties. Many considered this a good bargain; many will certainly regard it as such in the future. There will always be a market for Lord Robbins.

¹³O. Lange, *Political Economy*.

¹⁴*Ibid.*

¹⁵*Ibid.*

¹⁶Lange states in his book that he is not a member of

the Robbinsian legion and also denies sharing any common ground with Von Mises.

¹⁷M. Godelier, *op. cit.*, pp. 23 and 24.

II

The Naive Transposition of the Robbinsian Formula

"...And although verily Saint John saw in his visions the strangest monsters, he never dreamt of a creature more horrible than some of his glossarists..."
(Chesterton)*

The Robbinsian formula, whereby economics is centred on the rational (efficient) articulation of ends and means, reduces the critical dimension of political economy to an arid 'dialectics of scarcity'. The formal and the operational exert a powerful fascination—good business is attractive. Thinkers, like butterflies, flutter around its lure. Although they very quickly burn their wings—there is a trap in the supposedly neutral territory of means—this does not prevent the treacherous flame from constantly attracting new clouds of lepidopterous thinkers.

The term "Economic Policy", in Silvio Bocchi's *Dizionario de Economia Politica*, is defined as that part of economic science which studies the forms and effects of State intervention in economic life for the purpose of attaining certain ends. According to this definition, therefore, economic policy (a) is not conceptually distinguished from economic science whose analytical methods and logical systems it uses; (b) studies the forms and effects of State intervention in economic life with a view to clarifying whether such intervention has been, or will be, suitable for attaining the goals which the State was or is attempting to achieve through it; (c) adopts such goals as the 'givens' of a problem on which it believes it should pronounce no moral, political or, in brief, extra-economic judgement. Thus conceived, economic policy, like economic science, is a science of theorems or a philosophy of the 'possible'. It consists, more precisely, of a set of uniform

facts or laws related to action by the State.¹⁸

It is not only the perusal of dictionary definitions that leads to intellectual harakiri, however. This is proposed in all seriousness in the textbook for the law and introductory economics courses used in French schools. Raymond Barre produced the following gem of thought in 1956: "On the basis of the definition, which we accept, that political economy is the science of administering scarce resources within a human society, it is possible to determine the field or content of political economy. It comprises four series of operations 1::: 2::: 3::: 4. The orientation of economic policy is a function of certain political or social goals. The economist, as such, is not expected to pronounce an opinion on these goals. He must assume them as given and can then, with as much objectivity and indifference as if dealing with a completely different subject, form judgements on the fit or lack of fit between a goal and an institution, and on the compatibility or incompatibility between the goal and the means to be used".¹⁹

Both these definitions simply transpose the Robbinsian formula to economic policy, which is action by the State, which as an agent, pursues ends and disposes of means. Like any agent, it aims or should aim at rationality; and thus it is or should be

¹⁸S. Bocchi, *Dizionario de Economia Politica*, Milan, Editorial Castilla, 1956, p. 1353. The definition of Economic Policy in the *Dizionario de Economia Politica*, organized by Claudio Napoleoni, Milan, ed. di Comunità, 1956, is identical to Bocchi's definition. In Italy, where the Chair of Political Economy has a longer tradition, this seems to be the official definition. G. di Nardi, *Lezioni di Economia Politica*, Bari, 1950, also supports this definition.

¹⁹A. Marchal and R. Barre, *Economie Politique*, Paris, Presses Universitaires de France, 2nd edition, 1958, vol. 1, pp. 31-32.

*From *Orthodoxy*.

interested in an efficient articulation of ends and means. That is what we are here for. We are specialists in efficiency in action. As modest operators we pronounce no opinion on the goals; but we do have a lot to say about how to attain them efficiently.

There is one small problem, and in order to pinpoint it let us hear what Torres, another Robbinsian, has to say: "We have seen that the nature of things has caused a horizontal split in public economic activity and has also created a division of labour which manifests itself in two clearly differentiated positions: the establishment of goals, which is the political sphere, and the discovery of means or measures to achieve them, which is the task of the economist. This split, however, has not led to the formation of two watertight compartments because, since one of them is the economic problem, there must at least be certain permeable areas of mutual influence between the compartments... The theory of public economic activity can be elaborated from many perspectives, but the most direct is to consider it as the most important aspect of economic co-ordination. In actual fact, the fundamental problems that need to be solved are problems of co-ordination: co-ordination of ends and co-ordination of means".²⁰

Torres sensed—albeit obscurely—something which escaped both Bocchi and Barre. The State pursues ends and possesses means. The articulation of ends and means at the State level raise a problem of 'co-ordination' of ends and co-ordination' of means.

Robbins, as an old-style liberal, put forward his definition having in mind the agents of neo-classical microeconomics: the consumer, the enterprise, the owner of the factors of production, etc. He did not think of efficient action by the State, since, for an old-school liberal, the State is a necessary evil whose activity in the economic sphere should be reduced to a necessary minimum, although it plays a vital role as an institution

²⁰M. Torres, *Teoría y Práctica en la Política Económica*, Madrid, Aguilar, 1955, pp. 23-24.

for enforcing the rules of the game.²¹ And what is the name of the game? The answer is the market, or the free play of market forces. In this game the State has a small—preferably a minimal—direct economic participation (its importance is institutional, as the executive arm of the legislator).

When the definition is naively transposed to the theory of economic policy, without what Professor Knight considers of fundamental importance—adequate ethics and sociology, in a broad sense—economics has little to say about policy; in other words, without the recommendation of a minimum degree of State intervention, the problem arises of co-ordinating ends and means.²²

Professor Taylor, another Robbinsian, states in a revealing paragraph: "The economic theories and rules typical of fascist systems can hardly be of interest to economists as such, since they lack virtually all consistency or rationality from the economic point of view. The essential aims of fascist régimes are not economic—to ensure that the people's resources and productive energy should be utilized or applied as efficiently as possible for the general satisfaction of all their ordinary needs—but rather non-economic or extra-economic, political, military and socio-cultural: to make the economy or system of all the activities or use of economic resources subsidiary to the State machine and those vague and variable goals striven for by the authorities in the name of the national will for power and greatness".²³

At this stage the reader is probably confused. How can Knight and Taylor be considered Robbinsians? The former clamours for ethics, while the latter invalidates

²¹See Robbins, *op. cit.*, and also by the same author, *The Theory of Economic Policy*, London, MacMillan, 1961.

²²F. H. Knight, *Ethics and Economic Reform*, *Económica*, November 1939, quoted by R. Walker, *op. cit.*, p. 20-21.

²³O. H. Taylor, *A History of Economic Thought*. Taken from the Brazilian version, Rio de Janeiro, Fondo de Cultura, 1960, pp. 510-511. Professor Taylor teaches in Harvard University.

the aims of the Fascist State. If, as Robbins maintains, economics is neutral with respect to the goals, how can the Fascist State be condemned for pursuing non-economic goals? Taylor and Knight are not true followers of Robbins, although, Taylor defined economic policy as if he were.

Upon analysing Taylor, Knight and Robbins, they are all found to agree on the following points:

- a) The neo-classical microeconomic agents face an 'economic' problem: how to articulate ends and means according to the 'extremum' principle;
- b) 'Theory', as a deduction of universal propositions which may be confirmed on the basis of specific explanatory principles not given immediately, admits that those agents are rational (in the sense of demanding efficiency), and economics can indicate to the aforementioned microeconomic agents how to attain, under specific conditions, 'maximizing' positions with respect to whatever goals motivate them — the microeconomic agents can choose any goal;
- c) We can now anticipate the maximization conditions for each and every one of the microeconomic agents: the well-known conditions of perfect competition;
- d) The State is an institution and not an economic agent; as an agent it would distort those conditions, and its sole basic goal should be to permit the free play of market forces.

Therefore Robbins, if consulted by his enterprising legionnaires who take his definition and apply it to the theory of economic policy, would caution them as follows: "Beware of the 'co-ordination' of State action, for the State is not an agent. I do not countenance this transposition: my theory is valid only for rational agents, i.e., micro-agents, and not for a macro-agent, i.e., the State, which besides being potentially irrational would invalidate microeconomic rationality through its excessive weight". I am afraid, however,

that many of his followers did not consult him. The reader will have to exercise a little patience, since we shall revert to this point later.

For the time being we shall focus attention on other problems underlying the spread of the Robbinsian 'innovation' and its naive transposition, keeping as a reference the definitions of Bocchi and Barre.

In the first place, there is noticeable emphasis on the political-technical division of labour. The political level administers power and establishes the goals. The economist, with his specialized scientific knowledge of 'economizing' means, fulfils the neutral and objective function of indicating the relative 'economicity' of the available means. The politician, if rational, will take the specialist's advice and choose the best possible means. The technical level thus provides a rational, scientific foundation for the articulation of ends and means, the glory and onus of decision-making falling on the politician. The economist preserves a scientific neutrality and, like Pontius Pilate, does not sully his hands. Science remains pure and inviolate. Meynaud expresses the point to perfection: "The establishment of goals of government activity is a complex task. Is the economist equipped to play a part in this process? Some might argue that economics should guide government action and try to produce evidence of this. However, by taking positions, the technical expert compromises his discipline in the eyes of public opinion and of governing circles. He runs the risk of discrediting it through errors and questionable assertions; in any case, he makes it controversial. Therefore, the economist has a definite interest in defining the limits within which, in his individual performance, he can legitimately invoke science or, in other words, the mantle of science"²⁴

Here is a morality of considerable appeal: the doctrine of a separation between ends and means, of a divorce between

²⁴J. Meynaud, *L'Elaboration de la Politique Economique*.

science and technology on the one hand and the formulation of goals and values on the other. Baran says that to abstain from transposition is a moral principle which disarms the intellectual as a social critic.²⁵ The establishment will award its seal of approval to a well-behaved intellectual; the intellectual, free from uncomfortable reflections on the rationality of everything, eases his conscience as an operator within the system concerned only with the efficiency of the segment in which he operates. He is aligned with science which, like the vestal virgins of yore, permits him to do anything requested of him without becoming sullied. Snow, quoted by Baran, observes that those who wish to save themselves say: we produced the tools, and there we stop. It is up to you others, the rest of the world, the politicians, to say how those tools should be used. They can be employed for purposes which most of us consider are wrong. If so, we regret it; but as scientists it does not concern us.²⁶

I cannot help calling to mind the image of the German "maximizer" who in 1942, bent over his work table, sought to minimize the number of wagons/day used in a certain operation to transport Jews to Treblinka. That night he overcame any hesitation he might have felt —I am a technician and as such 'neutral and objective'— and slept peacefully because the vestal would watch over his sleep; the maximization of partial rationality and the maximization of global irrationality combined.

This ethics is combined with analytical lobotomy. By demarcating an area for reflection, carefully and judiciously isolated from the other areas of human activity, the economist, and economic analysis, remains blind to history, to change, to the whole of which he is a part.

Baran again shows why this lobotomy is painless. "The intellectual worker in our

societies, obliged to avoid being identified as a manual worker, tends to ascribe a real existence to his own position; to exaggerate the difficulty of his work and the complexity of the skill required to perform it; to exaggerate the importance of his formal education and academic degrees. He is not concerned with the relationship existing between the segment of human performance, within which he operates and the other segments, nor between them and history as a whole. His natural motto is to 'mind his own business'. Accustomed to think in terms of ability, experience and skill, the intellectual worker considers that the study of the relationship between the problems themselves and the whole is one of many specialties. For him, this is the domain or field of action of philosophers, members of the clergy or politicians, just as questions of culture or values are the business of poets, artists and scholars."²⁷

This proposed political-technical division of labour is directly based on the idea of neutrality of means; on the idea that the political option assumes responsibility for the arbitration of conflict in economic policy processes: the choice of goals. It admits that the choice of a goal involves an arbitration absolutely or relatively favourable to some, and unfavourable to others. Once the goal is established, however, it assumes the existence of consensus regarding the desirability of maximum efficiency in its attainment. As the technician is a specialist in means, he will therefore act at a non-conflictive level. This assumption is extremely hazardous.

Without going any further into the matter, we should keep in mind that the choice of a goal is merely a declaration of intent, since the choice and actual implementation of the means is what provides a foundation for the goal (although not necessarily). Declarations of intent are normally vague or formulated in such broad terms as to obtain maximum consensus.²⁸ Actually, the specific

²⁵P. Baran, "A missão do intelectual", *Monthly Review*, February 1961.

²⁶P. Baran, "El compromiso del intelectual", *Trimestre Económico*, vol. 28, N.º 112, p. 654.

²⁷*Ibid.*, pp. 652-653.

²⁸"Most (economic policy) programmes amount to

'win or lose' decision is settled when the means are implemented. Objectively speaking, although the formal choice is made by the politicians, the technical specialist vouchsafing specific means is very close—contrary to what he assumes (and, moreover, frequently discovers as soon as he participates in economic policy-making)—to the more conflictive level of economic policy.²⁹ The neutrality of means exists only in economic policy textbooks.

For the State's action at the level of economic policy, the naive transposition of the Robbinsian ends-means binomial is a source of great confusion. From the micro-economic standpoint the neo-classical agent has an objective (end) and resources (means). For example, the consumer supposedly aims at maximizing satisfaction (end) and possesses means (income and previously accumulated assets). When the Robbinsian formula is naively transposed to State action, the ends-means binomial contributes to considerable semantic confusion. The State's goals are not microeconomic; they relate to the functioning of the economic system as a whole, and to the desirability of obtaining results from the interaction of complex individual performances. A component of that overall performance is the direct executive responsibility of the State, another must be the result of the performance of other social entities induced and/or compelled by measures enforced by the

State to contribute by their performance to the desired results. This means that for economic policy purposes the State's performance is a means, just as the performances of other social entities are also means.

Accepting without argument, for the moment, the idea that the State is the subject-entity of economic policy, and the other social actors its object-entities, it is easy to locate the source of the confusion. The use of the ends-means binomial can only be used in the case of an isolated entity. The State, seen as an isolated entity, could have a Robbinsian goal—for example, to minimize the fiscal expenditure (means) for a specific level of public services provided (end). When we talk about maximizing the material welfare of society, however, we are not talking about an end in the Robbinsian sense. We are talking rather about a vague politico-economic objective which is broken down into a network of sub-objectives in the attainment of which the performance of the State and of all the other entities of the economic and social system converge.

The State's direct performance, and its inductive, directive and coercive action on other social entities, contribute to the attainment of the vague global objective throughout the whole network of sub-objectives. The means available for this are its economic policy instruments. And these instruments are not the means of the Robbinsian formula. Simple transposition does not demonstrate that (less illegitimately and in the best of hypotheses) the term "means" is applicable only to the behaviour of the State and other social entities, while the term "end" is applied to a desired "performance" for the system as a whole.

Economic policy instruments are not Robbinsian means. For Robbins, as a good neo-classicist, the means available to the micro-agents (consumers, enterprises, owners of factors of production, etc.) are the "legitimate property" of those who own them and obtained them through the free play of market forces, past and present. The

mere declarations of intent. Political parties are largely responsible for this confusion, since their desire to attract the maximum number of votes leads them to seek fairly vague formulas to avoid displeasing anyone, i.e., mere slogans such as, general prosperity, social justice (slowing down inflation; stepping up economic and social development, etc.)." Meynaud, *L'Elaboration de la Politique Economique*, op. cit., p. 129.

²⁹"The politician confines his attention, with satisfaction, to titles of chapters (of the politico-economic process) or to minor details of electoral importance. The specialist is clearly in a better position to give the politician's preferences an operational content." *L'Elaboration de la Politique Economique*, op. cit., p. 130. Although we may disagree in part with Meynaud's remarks, it is all too clear that the technical specialist is right in the middle of the fray.

instruments at the State's disposal are means with which the institution has been endowed. The State's possession of them does not stem from the play of market forces: it is the product of a complex and conflictive social process through which the State, institution of institutions, has been 'fitted out' in the course of history. It is the result of a specific scheme of social organization. The composition of the set of economic policy instruments, the form in which they operate, the limits of their application, are a matter of controversy and are inherently the essentially impermanent result of political and social processes.

In sum, when transposed to economic policy, the use of the ends-means binomial, which for Robbins had a very precise meaning, becomes very vague and causes a confusion whose bibliographical consequences are tremendous. Pages and pages and yet more pages reflect the efforts of the naive Robbinsians to find a way out of this terminological trap. Often they run up against the hoary problem of causality, the chicken or the egg: means as ends, ends as means. We believe that the use of the term objective-instrument would obviate the need to peruse all those pages of enormous yet sterile efforts. The economic policy objectives would be all the achievements which it is sought to obtain for the economic system as a whole susceptible of being broken down into a network of sub-objectives. Economic policy instruments would be the expedients which the State has at its disposal to carry out direct action or induce, direct or coerce the other social entities to act in accordance with its selected sub-objectives. There is, however, a tendency to retain the ends-means binomial and a refusal (in economic policy textbooks) to use the objective-instrument binomial. Why this preference for confused terminology? (Inertia of the vernacular, perhaps!) For some, tradition is doubtless comfortable, but we believe that there is an underlying reason. The ends-means binomial makes it easier to sell subliminally the idea of the inherent legiti-

macy, as demonstrated by economics, of certain ends and certain means; above all, of certain means (instruments). The liberal point of view supports the scientific legitimacy of a specific set of instruments, and primarily of instruments of action by inducement rather than direct, directive and coercive instruments. In addition, it tends to attribute greater legitimacy to means whose application is not personalized or capable of being personalized. Hence monetary and fiscal instruments always appear to be the most legitimate. The concept of instrument has the defect of showing too clearly the conventional and operational nature of the expedients in the State's power. It is useful for the operational dimension of 'official economic science', but somewhat disturbing for its apologists.

The legitimacy ideologically granted by 'official economics' to monetary and fiscal instruments (the only ones to deserve specialized courses in monetary and fiscal policy in economics curricula), and the academic prejudices and distrust regarding the instruments of action by direct or coercion, not to mention the direct action of the public sector (I have never heard of a course on policy of State enterprises) are based on the age-old tenet of liberal ethics which distinguishes between liberty (authorized) and licence or arbitrariness (condemned). Locke, in *Two Treatises of Government* written in the second half of the 17th century, argued that liberty means only not being subjected to any power other than that established by social consensus; it means being subject to laws which are not imposed from above; it means not being subject to the arbitrary, changing, unknown, uncertain and discretionary will of others or of the State. If handled in accordance with the rules of the game as fixed by consensus, the instruments of action by inducement which neither are nor can be personalized allow the microeconomic agents to act freely in the sense which Locke attributes to the term whereas the other instruments (direct, directive or coercive, or of both types) subject people to the

'arbitrariness' of the State, thus limiting their liberty and restricting 'free enterprise'.

What is striking about authors such as those quoted above is their unbounded trust in the models constructed by economic analysis as concerns their representativity of the functioning of part or 'the totality' of the economic system. Through the identification as an end (to be chosen politically) of a dependent variable of the model, the economist can indicate the most efficient means (independent variables of the model, under State control). "An economic model consists simply of a group or set of economic relationships, each one of which involves at least one variable which also appears in at least one other relation which is part of the model".³⁰ The economic relations of the model may be: (a) behavioural, reflecting the proposed theoretical articulation of the economic variables; (b) institutional restrictions, reflecting the institutional framework; (c) technical, reflecting the technological framework; and (d) identities or tautological definitions.

In order to admit solution, the theoretical model must satisfy a number of mathematical requirements, among which the most general is that the number of relations (equations) should at least be equal to the number of variables (unknowns). Transferred to economic policy under the naive approach, this model becomes or can become the decision model. According to its 'inventor', Nobel prize winner Ragnar Frisch, the decision model arises in the following manner: the work of economic policy consists in considering that the data, which include economic policy means, are known, and that economic phenomena and the variables which include the ends of economic policy are the unknowns. The problem of economic policy is to consider the ends as given and the means as unknown or, at least, partially as unknowns.³¹ A decision model does not have to meet the

condition to admitting a solution as mentioned above. If a number of equations of model m is less than that of the variables n , once $n-m$ variables, known as the model's degrees of liberty, may be controlled at the State's will, the model admits solution. (What pleasure the economist feels when handling a model with $n-m$ degrees of liberty!)

A digression: one type of analysis found in the works of economists conjures up in my mind the image of the Byzantine scholars arguing heatedly over the sex of angels. The example may be given of the nature of the logical content of explanatory (in economic analysis) and normative (in economic policy) decision models. The heart of the matter: is the logic the same, or perhaps different?

Here are two opposing scholars in the heat of the argument. Koopmans asserts their identity: "The distinction between descriptive and normative applications is extraneous to the model. Whether a statement derived from the postulates of the model is used descriptively or normatively depends not on the logical content of the statement but on the extent to which the choices with which the model deals are regarded as subject to the influence of the user of the analysis".³² "The same chains of reasoning may serve in explanatory as well as in normative economic theory."³³

On the other side of this thrilling argument we find Hans Jurgen Seraphim: "...the job of economic theory is to discover the conditions of socio-economic phenomena, i.e., to devote itself to the investigation of causes... This causal approach—we call it economic theory—is characterized by the fact that something specific, irrespective of how its content is conceived, becomes the

Econometrician", in *Econometrica*, January 1946. Tinberger, another Nobel prize winner, in *Economic Policy, Principles and Design*, North-Holland 1956, p. 9, converts Frisch's decision model into a pillar of his monument.

³²T. C. Koopmans, *Three Essays on the State of Economic Science*, New York, McGraw-Hill, 1957, p. 64.

³³*Ibid.*, p. 144.

³⁰Ackley Gardner, *Macroeconomic theory*, New York, Macmillan, 1961, p. 12.

³¹Ragnar Frisch, "The Responsibility of the

object of the enquiry. This datum is our epistemological object... This approach, which starts from the given and inquires into ... its modalities, in our interpretation, and in the broader sense of the word, is a causal theoretical approach. Now, economic policy adopts a teleological approach as proposed by Englis: ...'the teleological approach, which methodologically we describe as economic-political in the formal sense, can never be an inversion of causal theory, but is rather a rational way of seeing in its own right...'.³⁴ Thus science situates itself in the way of thinking of the acting subject who ponders all possible interventions in the external causal world, from which he chooses one. Science wishes to understand this choice; it wishes to understand why the subject desires one intervention and not others, and why he considers it most useful. This gives rise to an order of proposed content in thought; ends are the ordering elements, means the ordered. The idea of the proposed end becomes the cause of the act. From this it may be deduced that the teleological study of an experimental subject calls for a logical construction of the knowledge specific to it, i.e., distinct from the specificity of the causal study. The difference in the form of causal and teleological knowledge consists in the fact that the former considers that the content of knowledge simply exists whereas the latter considers that the content is proposed. Economic policy consists in a set of postulates ordered according to the ends-means principle and uniformly dominated by a common original finality".³⁵

This gripping discussion has us on the edge of our seats. However, returning to the question of the trust which the naive thinkers on economic policy of the Robbinsian

tradition place in models, we have nothing to say about the representativity of models, except to point out that some authors in the Robbinsian school also take the ideological step mentioned earlier.

When they become aware of the "Torres problem",³⁶ they may defend the transposition of the Robbinsian formula on condition that they introduce into their economic policy approach the neo-classical position on the restriction of State action (basically limited to maintaining the rules of the game). It is true that in this case the innovation barely amounts to a neologism. We are by no means against innovation in language, recognizing as we do the need to revitalize the old images. In the present study, authors following this line are considered neo-liberals. It is important to point out that many other authors inadvertently change the sense of the Robbinsian formula by removing the limitations. These end up either in the confusion demonstrated by Taylor or, attempting to expand the Robbinsian formula, in Torres' trouble-ridden 'co-ordination'.

Otherwise, they drop the formula of indifference to ends and, through scientific procedures, proceed to investigate those which should guide State action on the economy as a whole. Finally, it should be noted that the neoliberal formula is ambiguous, since it combines authors of the Robbinsian school and welfare economists. Furthermore, the prefix itself is questionable since in many cases the only 'neo' aspect of it is the formalization they adopt. We shall draw attention to a number of points at a later stage, as the variants arise.

Meanwhile, before continuing to push our way through the tropical jungle, a comment should be made on the naivety of the chemically pure neoliberal position and its moving trust in economic policy models

³⁴Karel Englis, *Teleologische Theorie Der Staatswirtschaft*, quoted by H. J. Seraphim in *Política económica general*, taken from the Spanish translation by Guillermo C. Arnold, El Ateneo, Buenos Aires, 1961, *passim*, p. 3.

³⁵H. J. Seraphim, *Política económica general*, *op. cit.*, pp. 2 to 4. Professor Seraphim lectures in the

University of Munster and his book dates from 1955; the Spanish translation was adopted as the basic textbook in political economy by Buenos Aires University in the 1960s.

³⁶*Ibid.*

obtained by inverting neo-classical syllogisms. (What is the level of abstraction?) At the concrete historical level, can fluctuating models be used in the rarefied atmosphere of a few postulates obtained from 'common sense'? Apparently, the problem of atmospheric level does not frighten our naive neoliberals. It would be exaggerated to suppose that, without a manometer or with their heads turned by the great height at which they find themselves, their cerebral functions must have been weakened and they did not mistrust concrete historical facts. Since I do not wish to accept this hypothesis, I find it easier to believe that they took to the mountains when fleeing from what Professor Steiner of Illinois University discovered when occupying a high position in the United States administration.³⁷

Here is what Professor Steiner had to say when revealing his discovery: "Without the generous use of abstractions and broad generalization, it is inevitable that one would get lost in the bewildering jungle of concrete facts about public economic policies. But every effort is made in this study to support abstractions with relevant concrete facts to prevent their becoming meaningless. Abstractions are useful tools by which complex details can become related. The mere fact that abstractions are supposed to accomplish this useful classification means that they must be based up on concrete reality. But, when one comes to reality in the realm of public economic policy he finds it distressingly complex. As Orton pointed out, the closer we come to reality, the more we must recognize that we are dealing with innumerable streams of tendency, running parallel, blending, conflicting, clashing violently; coming from origins we cannot always trace; and never lying wholly on the surface."³⁸

The situation encountered by Professor Steiner is truly horrifying — and we would add that the interrelation he makes between abstraction and reality is likewise 'horrifying'.

In my opinion, and this is my explanation, our neoliberals do well to cling to their naivety and stick to the mountain tops.

It is also worth recalling here the interesting position taken by Seraphim: "We are interested in economic policy purely as a science. We do not move in the world of the political militant. Our work lies not in the field of personal acts and decisions of a political nature but in the furthering of knowledge, where opinions are subjective and ideologies and idiosyncrasies must be eliminated as far as possible; this is essential, or at least they must be situated on a pre-scientific plane. Our procedure must be such that the results we obtain are valid in the sense that any person who accepts the prior conditions from which we started must arrive at the same results. But those conditions must not be chosen arbitrarily. It must be possible to corroborate the fact that they were rationally proposed".³⁹ (Aristotle and Kant cry "hear, hear!" in the wings.)

Let us see where Seraphim is heading: "Only a theory of models which utterly rejects practical application and which, being hypothetical in nature, neither openly nor clandestinely, neither deliberately nor involuntarily, neither directly nor indirectly serves as a basis for judgements about the real economy, can stand aloof from the conflict of value judgements";⁴⁰ and he goes on: "If the scientist abstained from personal value judgements, i.e., if he incorporated in his theoretical models the relevant decisions taken by politicians as initial data with equal status and value, this would mean that *de facto* he would be basing himself on the momentarily valid dominant ideology. In so

³⁷Professor Steiner was Director of the Policy Development Staff of the Defense Production Administration.

³⁸G. A. Steiner, *Government's Role in Economic Life*, McGraw-Hill Book Company Inc., New York, 1953, p. 16. The quotation from W. A. Orton is taken

from his book *The Economic Role of the State*, University of Chicago Press, Chicago, 1950, pp. 15-16.

³⁹H. J. Seraphim, *Política económica general*, *op. cit.*, p. 1.

⁴⁰*Ibid.*, p. 49.

doing he would lower himself by becoming the propagandist for currents of political will; and sooner or later he would justly be despised, and thus achieve precisely the opposite of what he wanted to obtain by rejecting an independent position with regard to value judgements.⁴¹ The economic policy expert has only one option: to shut himself up in an ivory tower surrounded by a sanitary cordon. The theory of economic policy produced in such conditions would be grounded in reason and above suspicion *urbi et orbi*, in view of the austerity of our scientific stylite, who would thus vanquish the barbarism of ideology and politics.

And now a final comment on our 'neoliberals'. What is the State in their ideas on economic policy? The answer is an entity as abstract as the other subjects (consumers, enterprises, etc.); it has ends, it is rational, and it seeks economy of means. Our neoliberals do not bother themselves very much with the specificity of this subject, and in this respect they differ greatly from the economists of the English Classical school. Neo-classicism derived its aseptic concept from the ideal State cherished by the English Classical economists. Robbins states in a work from his mature period: "By the theory of economic policy I mean the general body of principles of governmental action or inaction—the *agenda* or *non-agenda* of the State as Bentham called them—in regard to economic activity".⁴² This State had at least some of the substance proposed by English utilitarianism. It was not the abstract ghost of the politico-economic transpositions derived from the young Robbins by an ill-advised neo-classicism. Bresciani-Turroni says of this ghost: "Society and State are only abstractions — in reality, there are only individuals with their needs, efforts, passions, ideals".⁴³

Finally, it should be pointed out that

⁴¹*Ibid.*, p. 50.

⁴²L. Robbins, *The Theory of Economic Policy*, London, MacMillan & Co. Ltd., 1953, p. 2.

⁴³C. Bresciani-Turroni, *Einführung in Die Wirts-*

the neoliberals, with their love of formalism and symmetrical structures, must be broken-hearted that they did not discover the momentous classification proposed by Di Fenizio: micropolicy, which would investigate normative models for consumers and producers, and macropolicy which would consider normative models for the State.⁴⁴

In the tropical jungle of economic policy textbooks and manuals through which we are making our painful progress, the trees are not all of the same variety. Each grows into its own shape with its distinctive branch formation and corrugations. Trees grow towards the light, competing with many other kinds of vegetable life. Without the sun's light they atrophy; but not before trying to send up shoots through any promising opening. We should therefore not be surprised that each author is somewhat different from his fellows. Each stands apart and yet blends with the rest. Every work differs from the others by some singularity of growth or shape. It is not necessary to study every tree and bush in the forest: that would be impossible and tremendously monotonous; but it is worth giving some examples. For this purpose let us return to the work of Professor Torres, the author of two shrubs, as it were, in this great jungle.⁴⁵

After repeating Robbins' argument, Torres offers the following variation: "Although it may appear paradoxical, economists working in the public sector have a better chance of using their science with precision than those working in private enterprise". For Torres, the possibility of analysing and applying economic policy is

chafts Politik, Bern, 1948, p. 30. Quoted by Seraphim in *Política económica general*, *op. cit.*, p. 33.

⁴⁴F. di Fenizio, *El método de la economía política y de la política económica*. Barcelona, Bosch Casa Editorial, 1961. Professor Di Fenizio holds the chair of political economy in the L. Bocconi Commercial University, Milan.

⁴⁵M. de Torres, *Teoría y práctica en la política económica*, *op. cit.*, and "Introduction" in R. Walker, *De la teoría económica a la política económica*, *op. cit.*

easier at the global than at the partial level for the following reasons:

- (a) Ends are exclusively political and have no specifically economic content. Their choice is governed by considerations of a social, technical, etc., nature. The economic end is subordinate to general policy. However, the economist sees more clearly than the layman the incompatibilities between ends and his aid may be sought to "homogenize the ends of economic policy with those of other policy branches. Without his assistance a rational choice of goods is impossible".⁴⁶
- (b) The economist is essential to indicate the appropriate means. "Here everything is technical economics, except for the small margin of political decision which consists in the choice between alternative measures ...and even then, the indication of the means and the description of their probable effects is something only the economist can know".⁴⁷
- (c) To the question of what purpose does the economist serve as an assistant to the government in the execution of economic policy, Torres replies "...it is quite clear: the principal function of the economist is to recall the elementary, simple truths, the truths which lie forgotten and slumbering in the utmost recondite corners of the mind. To recall the truth and ensure that it prevails and shines forth with the grace and beauty of a proudly flying flag".⁴⁸

Here Professor Torres finds the economist essential for the rational harmonization (co-ordination) of ends, and almost omnipotent with respect to means and as guardian of

the truth. And although we disagree somewhat with Professor Torres' aesthetic view, the vocation he describes is certainly a fine one!

(This standpoint is naive, and may be compared to the more exuberant kind of shrub — the economist's vocation flourishes under the sun of Spain: to ensure the rational compatibility —co-ordination— of ends.)

However, Torres' self-satisfaction did not stem purely from a literary figure in the rich tradition of Southern climes. In other latitudes, where the cultural ethos is more austere, another author waxes enthusiastic over the function and concrete results of the economist's action in this sphere of economic policy. Billy states literally that "The striking results achieved by the Dutch economy since the war are partly due to the work of Tinbergen".⁴⁹

Here is another example of eulogy: Professor Heller of the University of Minnesota (and head of the team of economic advisers in the Kennedy and Johnson Administrations) stated that: "economics has come of age in the 1960s. Two presidents have recognized and viewed modern economics as a source of national strength and presidential power. Their willingness to use, for the first time, the complete range of instruments of modern economics stems from the uninterrupted growth of the United States since the beginning of 1961; a growth which, in its first five years, created more than 7 million new jobs, doubled profits, increased the real national product by one-third and filled the gap of 50,000 million dollars between real output and potential output of the United States economy in 1961".⁵⁰ "Part of the economist's political force lies, then, in a broadening of the basis of economic theory, statistics and research. But his influence on those who make decisions —whether in the

⁴⁶M. de Torres, "Introduction", in R. Walker, *op. cit.*, pp. XIX and XX.

⁴⁷*Ibid.*, p. XXI.

⁴⁸*Ibid.*, p. XXIII.

⁴⁹J. Billy, *La politique économique*, Paris, Presses Universitaires de France, 1956.

⁵⁰W.W. Heller, *New dimensions of economic policy*, quoted from the Spanish translation by Salvador Condominas, Nueva Colección Labor, Editorial Labor, Barcelona, 1968, p. 15.

White House or the Pentagon— also stems from his particular analytical approach. Problems of choice are his daily bread. In any case, his viewpoints should define problems and find solutions in terms which clearly indicate to the person taking the decisions how to attain an objective at a minimum cost...⁵¹ (Another Robbinsian!)

“The elevation of the role of the political economist has also been due to growing professional consensus. It is true that the strident voices of minority groups, the tough discussions of social objectives and the differences in the choice of instruments may obscure his work from time to time. The chief functions of the economic adviser, as I have seen and known them, are to analyse, interpret and foresee, give political advice, educate, adapt and decipher. Luckily for him politics and economics are more often in harmony than in conflict. For him, happiness lies in the fact that a political necessity may be complemented by means of an economic good.”⁵²

There are economists who are proud of their contribution to economic policy. Without taking this analysis any further, let us

hear what Meynaud has to say: “Like all other specialists, the economist contributes directly or indirectly to the formation of ideologies... In addition, it is a commonplace that the authorities of all classes tend to turn to specialists who profess an ideology analogous to their own and, therefore, favourable to their planned projects. Thus in many cases it is in fact difficult to separate an opinion on instruments from an appraisal of objectives”.⁵³ In order to avoid attributing this observation to a political scientist, let us hear what a wholly impartial economist, Professor Smithies of Harvard University has to say: “In selecting an adviser, the President should make sure that his adviser’s views on policy will correspond generally with his own. But he is unlikely to receive much usable advice if the adviser is unwilling to commit himself on policy issues”.⁵⁴

The enthusiasm of Torres and Heller is quite genuine; they apparently confuse the success of their careers as economists with the economist’s contribution to economic policy — an insignificant and almost imperceptible error of judgement.

III

And Back to Formalism - a Vicious Circle

“We cannot be expected to give a full history or an elaborate theory of the glass bead game; even writers more worthy or able than ourselves would be unable to do so. Such a task is reserved for some future time, if the sources or spiritual premises are not lost before then. Nor does our essay purport to be a manual for the game; such a manual could never be written. The rules of the game are only learnt by the normal, prescribed method which requires several years of study, and none of the initiates could ever have any interest in making the rules easier to understand.”

(Herman Hesse)*

Professor Di Fenizio’s work *El método de la economía política y de la política económica* is an example of the argument *in vacuo* which has gone on for generations, stretching over more than a century; and everything points to the fact that it will continue to excite a certain kind of economist. We have chosen this author from a number of similar ones, firstly, because his work is recent (the third revised edition

⁵¹*Ibid.*, p. 18.

⁵²*Ibid.*, various places, pp. 20, 26 and 27.

⁵³J. Meynaud, *L’élaboration de la politique économique*, *op. cit.*, p. 128.

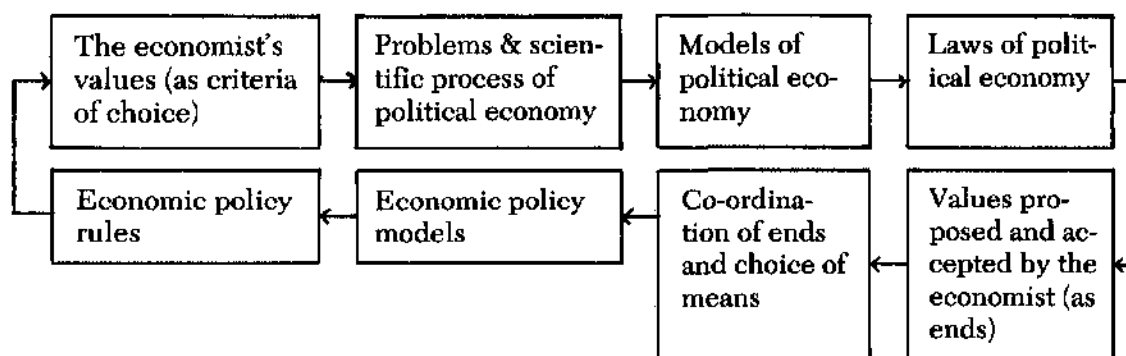
⁵⁴A. Smithies, “Economic welfare and policy”, in *Economics and Public Policy*, Washington, The Brookings Institution, 1955, p. 4.

*From *The Glass Bead Game (Magister Ludi)*.

appeared in 1960) and therefore covers a series of ramifications of the discussion on this question, and secondly because it is a didactic text about which the author has two grounds for being pleased with himself; firstly, because of the clarity with which his arguments are presented, and secondly because of the moving sincerity with which he

sets out straightforwardly and without hesitation to analyse questions on which prudence has counselled discretion to other authors of the same stamp.

In his book Di Fenizio summarizes the results of his reflections in a chart which we take the liberty of reproducing here: A 'typical' procedure in 'economics'.



Here is what the author has to say about his diagram: "A wideranging analysis of the various stages of scientific method in physics and biology has enabled us to establish the different stages of the method both of political economy (a positive science) and of economic policy (a normative science). Since we know the relations between the two branches (positive and normative) of economics, it will be desirable to have a single overall method of investigation which will typically refer to these two branches of learnings. Let us suppose that some superficial economic observations of reality produce in the researcher a state of dissatisfaction at the heart of which lie his own value judgements; then he will have a problem to study, and using some values as a principle of choice, he will be engaged in positive economics. Thus, he will develop models of political economy and formulate economic laws; he may pursue his research without abandoning the field of economic science; he will adopt some values as ends to be attained; he will use the established models and laws for the purpose of determining the proper means to attain those ends; and

finally he will suggest the rules which he considers suited to the proposed ends. In this way his work will be completed and it will be found that the two branches of economic science —positive and normative— constitute a highly compact whole".⁵⁵

"Political economy often chooses its values at the indication of economic policy and establishes suitable uniformities to show what exists in a *de facto* situation; on the other hand, economic policy uses the uniformities of political economy to attain other values or ends and consequently aspires to change what exists, proposing norms about what should be".⁵⁶

This is a marvellous circuit handled by the magus-economist: laws and models, from what is to what should be, from ends to laws, from laws to ends, just as the person in charge of the process of scientific creation instructs his student, society. In the first place, it should be noted that in the above quotations it is easy to see the influence

⁵⁵F. Di Fenizio, *El método de la economía política y de la política económica*, pp. 363 and 364.

⁵⁶*Ibid.*, p. 354.

of Comtian positivism whose historical origin —early nineteenth century capitalism— was the same as that of neo-classicism.

The six volumes of the *Cours de philosophie positive* were published between 1830 and 1842. The first edition of Nassau Senior's *An Outline of the Science of Political Economy* appeared in 1836 and the second in 1850. The voluminous work of Comte and Littré coincides with that of the Vienna School. Stuart Mill, a militant positivist, argued that psychic facts were elementary states to whose union a substantial nature is attributed, and that there is no need to investigate the grounds of that substance because the observer should stick exclusively to relations between primary mental states and the formulation of the relevant laws. The contribution to the construction of neo-classicism is immediately apparent. In addition, the academic success of both movements is identical from the standpoint of their duration and susceptibility to partial changes, and has continued to the present day. Proof of the longevity and adaptability of 'changing everything without changing anything' is the enormous audience today for works such as those of Di Fenizio.

The analysis of the vestiges of Comtian positivism to be found in Di Fenizio's work and the complexity of his thought help to explain a very frequent and recurrent approach to the concept of economic policy. Above all, there is a permanent and almost ritualistic effort to establish economics, as knowledge, in the Comtian sense, as a positive science. The economic textbooks repeat this *ad nauseam*, taking up an appreciable amount of the reader's time in proving that economics is indeed a science.⁵⁷ The Comtian curse of the 'trial by ordeal' of

knowledge according to the law of the three stages of knowledge (theological, metaphysical and positive) calls for this demonstration from the 'official' economist. In addition, as a better proof of the coming-of-age of his science, he repeats *ad nauseam* the same old song about equilibria. Using a circular proof, the neo-classical theory is definitive, and since it is the proof that economics is in the positive stage (which in positivism is definitive) it therefore serves *ad infinitum* as a permanent demonstration of its 'positive scientific nature'.

Di Fenizio states that: "Economics sets out to say something about reality as it is: accessible to perception, open to our awareness".⁵⁸ Political economy, then, is a science which belongs to the empirical rather than to the formal group (logics and mathematics). Again, Di Fenizio explains his ambition: "political economy attempts to say something about the existing world and more concretely to explain and predict events, in order to master them (the ultimate goal of the empirical sciences)".⁵⁹ The thirst for legitimation as a science also effects economic policy. Whether immediately accessible or the object of scholarly reflection, a theory of economic policy exists or will exist. In what does it differ from political economy? Answer: in that it is normative. Let us listen once again to Di Fenizio: "Since economic policy does not aim to verify what exists but rather to encourage the

and in which we write Science with a capital S". This is the first sentence in a textbook which aspires to being the first. After stating that economics is the science which deals with commercial matters (exchange and distribution) (page 12) the authors show signs of professional pride (page 13) when stating that economics attempts to study these activities scientifically; in fact, in the application of scientific methods to the study of human behaviour it has achieved greater progress than the other social sciences. They draw attention to the similarity with the other sciences: the method of investigation in modern economics is the same as in all sciences.

⁵⁸F. Di Fenizio, *El método de la economía política y de la política económica*, p. 17.

⁵⁹*Ibid.*, p. 18.

⁵⁷This can be done in many ways. For example, there is a characteristic assertion in the introductory textbook of J. R. Hicks and A. G. Hart, *Structure of the Economy: introduction to the study of national income*, "Economics—the subject we are going to study in this book and in others which it is hoped will one day follow—is a science, one of the branches of that great systematic study of the world in which we live

attainment of something which is considered 'good', 'just', 'viable' or some such thing, it is not a positive but rather a normative science. That is to say, it does not restrict itself to accepting values as chosen elements in its field of research, as criteria of choice, but accepts them as the focal point of the norms and precepts which it wishes to have adopted or which, at least, it proposes."⁶⁰

Something must be said about the meaning of the ultimate goal of empirical science: mastery. "This dominion of science over reality is a complex matter. It may even be aesthetic or intellectual, and does not only mean, as many people believe, the possibility of modifying events."⁶¹ This mastery is different from the programme of normative science which has another goal: "This is called economic policy, which either attempts, by using the laws and models established by political economics, to lay down rules about how the unit of consumption or the unit of production, for example, should behave if it is desired to attain certain ends (micropolicy) or else is aimed at establishing precepts (norms, advice concerning what should be) about how power groups should behave when, within the framework of the economic system in question, other specific ends are desired (macropolicy or economic policy, as it is currently called)."⁶²

'Official economics' openly recognizes the aspiration to construct the theory of economic policy. Here is what Professor Smithies has to say: "Economics has always been concerned with policy. Most economists have been motivated by the desire to promote what they considered to be social improvement — Cournot, Walras and Schumpeter are among the few eminent exceptions of the past, who come readily to mind. Adam Smith, Ricardo, Mill, Marshall and Keynes fall just as readily into the

category of economists with strong policy motivations. Whatever the motivation of the economist, most economic analysis has strong policy implications. The general equilibrium system of Walras, for instance, can be regarded equally as an explanatory instrument and as a prescription of an economic norm for society. The theory provides solid support for the view that an individualistic society can achieve harmonious and desirable economic results."⁶³ This paragraph from Smithies makes convincing reading because even the non-political economists contribute to the work of the political economists.

The economist as sage — positive scientist — lays down rules and precepts (naturally based on value judgements) for the micro-units and the groups which possess power. What does he base himself upon? Answer: science. "Broadly speaking, all research in economic policy takes the form first of an analysis of the relations existing between the different economic ends proposed by the policy; then, and this is the most obvious aspect of the research, in indicating the means suited to attaining those ends."⁶⁴ "...in order to do so, it makes use of the laws and models prepared by political economics as a positive science. In proposing means to attain the ends desired by certain power groups, it makes use precisely of the uniformities offered by the economists."⁶⁵

Secondly, it is worth emphasizing this identification of the economist with the sage. The quotations from Di Fenizio clearly show the aim of the economist handling the theory of economic policy: namely, to lay down rules and propose precepts based on serious positive scientific knowledge; and the position he aims to occupy in the social hierarchy: to advise, with the dignity and serenity bestowed by his white hairs — to

⁶⁰*Ibid.*, pp. 348 and 349.

⁶¹*Ibid.*, p. 18.

⁶²*Ibid.*, p. 24.

⁶³A. Smithies, "Economic welfare and policy", *op. cit.*, p. 1.

⁶⁴F. Di Fenizio, *El método de la economía política y de la política económica*, *op. cit.*, pp. 349 and 350.

⁶⁵*Ibid.*, p. 351.

advise consumers, the owners of the units of production, and the groups which possess power. This role of the sage is part of the scientific ethic of Comtian positivism. In its early stages positivism was a doctrine of peaceful social reform: reflecting the 'new broom' approach which the new dominant capitalist groups in their quiet moments (early nineteenth century) wished to adopt with regard to the vestiges of the former régime, the positivist ideology predicated as a moral doctrine a norm for society and rules by which men should live their lives. In politics it stuck to the age-old doctrine of natural law. As a functional doctrine of knowledge in relation to society, it was based on a doctrine of knowledge, from which stemmed the norm for society and the rules by which men should live. The positive stage is not merely a form and stage of the organization of the sciences, but also what produces a positive stage of society. The development of knowledge will culminate in a point where society will possess a positive sociology ruled by the values of pacifism, order and hierarchy. "Love as a principle, order as a basis and progress as a goal"; and in this hierarchy, spiritual power will belong to the sages and temporal power to the industrialists. In this positive stage of economic science, the economist is raised to the position of sage; the neo-classicist receives his due share of spiritual power. Hence the importance of equilibria for the economist—as his credential for power.

It is likewise easy to understand the benevolent and doctoral tone of a theory of economic policy. The exact semantic meaning of the expression—so frequently used—'ends of economic policy' becomes clear. End is not synonymous with objective; and end is what is advised by the venerable and benevolent greybeard. An end is what should be, the norm. An economic objective is in a different category. Let us turn once again to Di Fenizio for enlightenment: "Economic action is not a science as a generalizing branch of knowledge. It is an activity carried out by the government of a

specific community or by large economic groups which possess power in order to attain specific practical purposes, using for that purpose both the laws of political economics and the precepts of economic policy".⁶⁶

In peaceful times the sage's position is peaceful. From the confines of his chair of 'official economics' he advises, with his spiritual power, those who hold temporal power. At times of unrest the picture is quite different: 'official economics' loses its bearings, and may opt for a pragmatic, operational approach, climb down from its official chair, roll up its sleeves, shout its praises and invent technical jargon; in so doing, however, it undergoes a 'crisis of academic dignity'—how regrettable that the grey-beard should turn to economic action. The other possibility is to turn to the absurd, where the extreme position is that of our old acquaintance Professor Seraphim. (Besides, the tradition of the absurd has its precedent in the evolution of Comtian positivism itself: the cult of Clothilde de Vaux, the religion of humanity past, present and future, as the Supreme Being, etc.; the idealistic critique of the religion of initial positivism transformed into a secularized religion by positivism at an advanced stage. We have enough evidence that economics can also become a cult object.) In the twentieth century we see 'official economics' divided into these two streams, with obvious consequences as concerns their conception of economic policy.⁶⁷ However, we shall not deal with this question for the time being.

Thirdly, it should be remembered that

⁶⁶*Ibid.*, p. 363.

⁶⁷Commenting on Professor Samuelson's presidential address to the American Economic Association in 1961, Seligman said "(Samuelson) argued that there was a dichotomy between the inner logic of the science and its implications for the man in the street, a dichotomy which he seemed to welcome. In fact, the good political economist was apt to be an indifferent analyst and the good analyst really did not have to bother about the state of the world". B. B. Seligman, *op. cit.*, p. 433.

positivism is a theory of knowledge which refuses to recognize any reality which is not factual, and refuses to investigate anything other than the relationship between facts. It accepts facts as the empirical meaning of the affirmation of existence. Facts as objects of positive knowledge exist only through the reports of the senses. The scientist's task is therefore to grasp facts at the level at which they exist, as they appear—at the level of appearance—and articulate their relations.

Thus positivism aims to stick to what is known from the senses and never go beyond what is so given. The rejection of all *a priori* knowledge, of direct intuition of the intelligible and of deductive method, and the reduction of philosophy to the results of science, etc., may be derived from the postulates of positivism in its quiet moments. In troubled times, in the form of logical positivism, some of these distinctive features are forgotten and, using different kinds of sleight of hand, it will adopt some of the procedures which in its tranquil periods it condemned as pre-scientific.⁶⁸ However, let us return to its initial stage. It is not for the scientist to answer the questions what, why or wherefore (for which he would have to resort to metaphysics or even theology), but rather to explain how interfactual relationships are articulated. Professor Popper states that: "We are not interested in questions such as what is energy? what is movement? or what is the atom? On the contrary, modern physics puts forward questions such as how can solar energy be used?, how does a planet move? ... and to the philosophers ... who unfortunately cannot give precise answers to questions which begin with a 'why?', with-

⁶⁸ It is rather typical that T. W. Hutchison, the first to introduce the verification criterion of logical positivism in economics, published his book entitled *The Significance and Basic Postulates of Economic Theory* in 1938, the year in which there was the greatest disenchantment with economics and the international setting. This discussion has continued to our days: Machlup, Friedman, Koopmans, Rotwein, Gordon, Schoeffler, Buttrick, etc., are some of those who have taken part in this argument about logical positivism in economics.

out first having answered the questions formulated with a 'what?', the scientist will reply that he prefers the modest degree of exactness to which he can aspire with his methods to the presumptuous confusion they achieve with theirs."⁶⁹ This position favours analysis and rejects criticism, since reality, on the plane of appearance, always appears fragmented.

Economics as a form of analysis which gives preference to certain phenomena, which seeks their relationships by formulating hypotheses and verifying them, and systematizing those hypotheses in the form of co-ordinated theories (or models); economics as the empirical analysis of apparent data: this is the level which it is hoped to reach in the more naive versions of neo-classicism.⁷⁰ (There still remains that thorny problem of verifying the hypotheses!)⁷¹

Finally, one of the constants of positivism in its many and successive versions (and of neo-classicism in its later editions), and also its corollary, is the 'historiophobic' standpoint. History is only accepted as a mere chronicle because "by its nature it singles out what is individual, unique, particular".⁷² Historiophobia rejects out of hand any and every position which, to use its own terms, turns "sociology into theoretical history",⁷³ classifying as 'historicist' positions

⁶⁹ K. Popper, *The Open Society and its Enemies*, Princeton University Press, 1950, p. 62, quoted by Di Fenizio, *op. cit.*, p. 26.

⁷⁰ Our friend Robbins is a radical apriorist who argues that economic theory is a system of deductions on the basis of a series of assumptions which are not susceptible of empirical verification. The contrary position would be that of the ultraempiricist who claims that he starts from facts and not from assumptions. 'Official economics' has oscillated between these two extremes.

⁷¹ There is a great deal of literature on the difficulties and unsatisfactoriness of the deductive construction of neo-classicism for the verification of hypotheses and we recommend the interested reader to consult chapter II, sections 3 to 6, of A. Lowe's, *On Economic Knowledge Towards a Science of Political Economics*.

⁷² F. Di Fenizio, *El método de la economía política y de la política económica*, *op. cit.*, p. 18.

⁷³ K. R. Popper, *The Poverty of Historicism*, London, Routledge & Kegan Paul, 1957.

those which adopt the doctrines known as the historical, national-economic and institutional schools. Marxism is also placed in this historicist group. For the positivist, the sociology of knowledge is unserious and Mannheim irreverent. Any approach which accepts history as movement is metaphysical or pre-scientific.⁷⁴ Positive science necessarily generalizes: from the mass of facts it has to extract universal and non-temporal interfactual relationships.

The love of the universal, the atemporal and the general has a clear derivation in the position of the theory of economic policy as a normative science, of neo-classicism which, for want of a better title, I shall call abstract prescriptivism: saying what should be, without paying any attention to the problem of the viability of the recommendation—naturally enough, since that would raise the thorny question of specific historical concrete facts.⁷⁵ There are whole textbooks of economic policy recipes, which, if I may be forgiven this want of respect, have always reminded me of cookery books.

Or rather I do see one difference. Brillat Savarin can legitimately recommend how an appetizing dish should be prepared. He is not interested in the question of its viability: if the person who purchases his book possesses a good kitchen and the means to acquire the recommended ingredients, and can pay the salary of a cordon bleu cook, the treatise will be very useful to him.

This is not the case of the millions of textbooks which recommend full employment, price stability, balance-of-payments

equilibrium, etc., as economic policy objectives. Tome after tome which, on the basis of the theory of economic policy and after analysing economic growth as if it depended on the rate of capital formation and the productivity of capital, triumphantly conclude by recommending that the rate of domestic saving should be raised and the productivity of new investment increased. Texts which recommend with greater or lesser emphasis that investment in the human factor should be increased. Pompous advice put in the following terms: inflation is the disease; its remedy lies in stabilizing prices, for which purpose the growth of total demand must be restricted and costpush pressures weakened. Solemn reports containing economic policy prescriptions for faster development, which recommend land reform to increase the productivity of land, or labour, or both, or to stimulate domestic consumption, or both at once, etc. I must confess that I find it difficult to justify this kind of textbook.

To set the record straight it should be pointed out that some authors representing 'official economics' are more enlightened and agree with Morgenstern, as quoted by Di Fenizio: "at the top of the list of all the errors which the professional economist can possibly commit is that of identifying economic theory with any particular form of application... Economics is an empirical science which is still in an embryonic state, and much further removed from facts than it should be".⁷⁶ On the other hand, economic policy "in the majority of cases is policy in the real sense".⁷⁷ Others, like Walker, are more acute: "The distance which separates economic theory from economic policy is due in part to the tremendous complexity of the practical problems tackled by economic

⁷⁴Those interested in learning the better arguments against historicism are advised to read the work of Popper, *ibid.*, as well as his *The Logic of Scientific Discovery*, London, 1959.

⁷⁵The better prescriptive textbooks give elaborate typologies of concrete historical situations. J. E. Meade's *The Stationary Economy*, London, George Allen & Unwin Ltd., 1965, is an excellent example of what can be obtained. An outline of the position may be found in H. C. Johnson, "The taxonomic approach to economic policy", *Economic Journal*, 1951, Vol. LXI: "...if economic theory is to be applied to problems of economic

policy, this can most usefully be done with the context of a particular problem occurring in a particular environment".

⁷⁶Morgenstern, quoted by Di Fenizio, *op. cit.*, p. 119.

⁷⁷*Ibid.*, p. 131.

policy and the obstacles which stand in the way of the use of scientific method. Every branch of science has its own external limitations of this kind. But there are also the limitations which the economists, aware of the independent position of their science, have imposed on themselves through their definitions of the extension and method of economics. Over the last 100 years the

tendency has been to make those limits increasingly narrow, with the intention of delimiting a field within which the postulates of economics would be as unquestionable as the proven theories of other recognized sciences.⁷⁸

⁷⁸R. Walker, *op. cit.*, p. 5.