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ECONOMICS - A SET OF BELIEFS

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A large number of Economists regard economics to be a science. To quote the opening statement from a recent article in the American Economic Review: " Among its practitioners there is a widespread feeling that modern economics has established itself as a science enjoying a high degree of consensus" (Bruno S. Frey, Werner W. Pommerehne, Friedrich, Schneider, and Guy Gilbert, p.986).

"Science" according to Funk and Wagnalls College Standard Dictionary is the "knowledge as of facts, laws, and proximate causes, gained and verified by exact observations and correct thinking."

Reflecting on economic theory one recalls that indeed economists speak of "laws" of economics, e.g.; the "law" of demand, and causal relationships, e.g.; changes in the money supply cause proportionate changes in prices. In addition these propositions are accompanied by empirical verification. Apparently this qualifies economics to be a science, though admittedly "science" should technically be modified by the word "social". However, this modification is regarded as somewhat of a stigma, or an implication that economic propositions are less than "pure truth". Certainly increasing mathematical rigor has been pursued by many economists in an attempt to remove the stigma of economics as a "social" science and to elevate it to the level of pure science. Obviously the notion that the rigor of the mathematical model and the scientific content of the results are positive correlated has been accepted. In fact, undergraduate neoclassical microeconomics as taught in the classrooms of most major universities in the United States differs little from a mathematics class. The propositions are generally

presented as pure science, mathematically derivable from a small number of innocuous assumptions. In light of this general attitude toward economics, as expressed in the opening statement of the previously quoted AER article, the remainder of the article provokes thought, as it provides empirical evidence which denies any credibility to the opening statement.

I. More Dissension than Consensus

The AER Article presents empirical measurement of the degree of harmony and discord among economists. It reports the results of the questioning of 936 economists about their viewpoints regarding 27 economic propositions. The range of these propositions extends to both micro and macro, positive and normative issues. And, in spite of the assertion that economics is a "science enjoying a high degree of consensus", the empirical evidence presented in the paper reveals no complete consensus on any one issue. Even on those issues which are classified as positive microeconomic, the most innocuous category of economic proposition, there is dissension. Why the divergence of opinion in the realm of what is referred to as "science"? Certainly there are some areas of science in which there is accord. For example, in the realm of chemistry one could find agreement among chemists regarding the outcome of the reaction between sodium hydroxide and hydrochloric acid under specified experimental conditions.¹

The most obvious explanation for the dissension among economists is that economics is not, and can not be, a pure science, in spite of the fact that economists have apparently attempted to persuade themselves

and the public that mathematical rigor can transform economics, a social science, which is really more like religion than chemistry, into pure science.

II. An Appeal to Faith?

The tenets of any religious system are ultimately accepted on the basis of faith, i.e., if one believes, the propositions are true. These propositions are categorized as "beliefs". Interestingly, the AER article explicitly categorizes the propositions to which economists adhere as beliefs. "What economists think, and whether there is consensus among economists, would not be a matter of concern if beliefs do not have a very strong effect on economic policy decisions and on the state of the economy" (Frey et al,p.986). The article goes on, apparently assuming that the reader is comfortable with the fact that economic, not just theological, propositions can be categorized as beliefs, not noting the tension between belief and pure science, to tell the reader that a test of the commonality of beliefs has been conducted. "We seek to determine the degree to which certain beliefs are widely shared among economists in a given country and across countries". (Frey et al,p.986). Statistical tests to determine the commonality of beliefs among economists using data from the returned questionnaires are reported. Though the authors assert that there are some propositions on which there is some degree of general consensus, when the sample is stratified by nationalities into "pro-government" versus "pro-market" categories, the conclusion of the study is that economists are not all of one faith: "In general, it could not be confirmed that positive and micro-propositions find a higher degree of consensus than normative and macro-propositions". (Frey et al,p.994).

In the realm of theology a lack of consensus is not alarming. The object of perception is eternal and invisible. And theologians do not assert that theology is science. However in the realm of economics the object of knowledge is both temporal and visible², and economists do claim to be scientists. The world at large does not discount religion because all are not Catholic, but the condemnation of economists is vitriolic. Recently, on the editorial page of the Wall Street Journal, Tom Landess wrote:

When George Bush used the phrase "voodoo economics" we objected not because we thought it was inaccurate but because we thought it was redundant. And while we're perfectly willing to admit that First Amendment rights extend to economists, we'd probably support a law that made it mandatory that when discussing public policy they be required to wear long-sleeved gowns and pointed hats covered with stars and moons"
(Tom Landess)

And this condemnation is not merely the result of the spate of recent forecasting errors as Harry Truman's request for a one-handed economist, so he would not have to deal with "on the one hand this and on the other hand that" demonstrates. Obviously, the layman expects from economists, as so called scientists, what he does not expect from theologians, i.e., pure scientific truth. Yet universally accepted economic truth has not emerged.

III. The Quest for the Truth of Pure Science

Visionaries of the past have provided argument for the inevitable emergence of the truth in all categories among rational men. William Godwin, writing in 1793, certainly envisioned such an outcome based on the cultivation of knowledge leading to the soundness of understanding. (William Godwin, p.77-78) Marx also asserted that belief, in his

verbiage "ideology", would be escaped and truth would be perceived and propigated by the working class. To quote W. Stark: "...in Marx's thought...there is a class whose special interests do not lead to a distorted but to a truthful picture of reality, in whose case, in other words, ideological vision coincides with realistic vision, wish-determination with fact-determination". (Stark,p.100). Yet, after more than one hundred years the "realistic vision" among even the working class is disparate. Universal truth has either not manifest itself, or man has not perceived its manifestation.

But heterodox visionaries, such as Godwin and Marx, were not alone in their belief in the extinction of belief. In answer to Marx's claim that classical economics was the product of an ingrained ideology, merely a set of beliefs predicated on socialization and propigated as an apology for capitalism, the neoclassical economists countered with what was termed by Menger as "value-free" science. Menger claimed the removal of values and beliefs from theoretical economic science. Therefore, according to Menger, theoretical economic propositions could be universally accepted as pure scientific truth. (E.K. Hunt,p.250) Walras echoed this sentiment when he said in reference to economics: "Indeed the distinguishing characteristic of a science is complete indifference to consequences, good or bad, with which it carries on the pursuit of pure truth". (Leon Walras,p.52). Indeed, many neoclassical economists view themselves as scientists in possession of some portion of pure scientific truth. For example, Armen A. Alchian and William R. Allen claim the economic theory presented in their text, University Economics, is: "...a valid care of economic theory applicable to all economic systems and countries." (Armen A. Alchian, and William R. Allen,,p.5).

Nevertheless, in spite of the claims to revelation of "truth" and universally valid theories from both Marxists and neoclassicals, there is no consensus on fundamental economic principles or appropriate economic policy even within categorical divisions.

IV. Inevitable Failure

The dissension is inevitable. Economics is social science, not pure science. As such, belief, not truth, is its domain, beliefs which are not timeless and universal, but temporal and particular, integrally related to historical exigencies; a relationship which cannot be overcome or eliminated through mathematization. Economic theory and policy emerge out of a particular social-historical framework not an experimental vacuum. Frey, et al broach this issue by hypothesizing: "One cause for this disagreement may be that economists living in various countries have experienced different historical developments and the traditions are based on different cultural backgrounds" (Frey et al, p.990). What is amazing is the use of the word "may". Even religious dogma, dogma dealing with the immutable and eternal can not be divorced from historical exigencies, (e.g., the Pope's recent dictum.) A fortiori economic dogma, concerning the mutable and temporal, communicated by man, not merely through man but by God, must be a function of changing temporal social conditions, and therefore not immutable truth but mutable belief. Karl Mannheim explained this problem of historical relatively through his distinction between the extra-mental reality, the materials of knowledge which remain constant and the intra-mental reality, the chosen objects of knowledge which are a function of one's historical environment, and therefore, ever changing. The recognition by both the economist and the layman that

economic principles are in fact beliefs, not truths, ultimately predicated on transient temporal perception, not eternal and absolute reason might serve to mitigate the criticism. The economist's assertion that his beliefs are in fact pure science only invites condemnation and reflects the centuries old confusion highlighted by Plato in The Republic between the particular and the universal, the many and the one, the shadows in the cave and the ultimate light. The economist is caught in the cave where: "To them, I said the truth would be eternally nothing but the shadows of the images". (Plato, p.254). Because the shadows are fuzzy the perceptions differ. But, who among social scientists is not caught in this same cave. Certainly Plato envisioned the emergence from the cave of a few who would be philosopher kings. But if such emergence has occurred the world at large has not perceived. Economists are certainly not the only remaining fettered beings observing the shadows. Nor are they the only observers to assume the shadows are reality and to try to convince the world they have glimpsed the ultimate light. Yet the nature of economic theory and policy: 1) that it can be empirically refuted, and 2) that it is integrally tied to the material well being of the people, combined with a large number of economists propagating the facade of pure science, inevitably produces more alarm among the general populace over the discord among economists than the discord among theologians. As a result the "faith" which the general public places in economists pales in comparison to the economist's faith in his beliefs. A faith which is so strong among some, as to elicit the claim that economics is pure science; a claim which is untenable in light of the recent AER article, unless a significant number of those surveyed were not, in reality, economists.

V. Concluding Remarks

Economics is a social science. Eternal immutable truths are not the stuff of which economics is comprised. Historical exigencies and the complexity and unpredictability - Keynes' pervasive "animal spirits"-of human behaviour must be recognized. In the final analysis any system of economic theories is a set of beliefs - as the AER article states without even a comment. The fact that a variety of economists adhere to various sets of beliefs should be less alarming than the existence of multiple theological systems which analyze the eternal and immutable. But, economists themselves must first admit the limitations of their "scientific" tenets in spite of their mathematical expertise.

Notes

1. $\text{NaOH} + \text{HCL} = \text{NaCL} + \text{H}_2\text{O}$
2. Of course it is easier to adhere to theories regarding the eternal and invisible, as contrary evidence is not forthcoming.

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