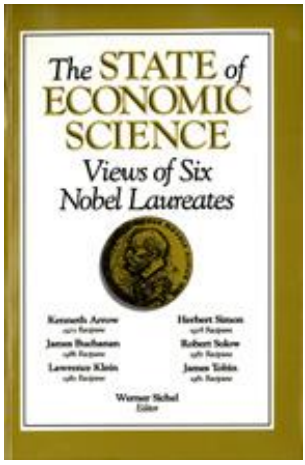
[The State of Economic Science]



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I. Introduction

In this essay, I was asked to assess the state of economic science, necessarily from my own personal perspective, which is perhaps less representative of median or mainstream evaluation than those perspectives that may be offered by my peers in this series.* I shall make no attempt to be comprehensive here, although the implications of my whole argument for the economist's stance as both a positive and normative scientist involve major shifts in attitudes toward the disciplinary subject matter. I shall concentrate discussion on my understanding of what an economy is, from which inferential criticisms of research programs, didactic instruction, and policy implementation emerge, more or less as a matter of course.

I may succeed in attracting your attention by stating two of these criticisms boldly at the outset. First, there is no place for macroeconomics, either as a part of our positive science or as a realm for policy action. Second, the appropriate mathematics is game theory

*I am indebted to my colleague, Viktor Vanberg, for helpful comments on an earlier draft

rather than maximization of objective functions subject to constraints. These apparently unrelated criticisms emerge from understanding and interpreting the economy nonteleologically, as an *order,* rather than understanding-interpreting the economy teleologically, as an institutional arrangement that is to be evaluated in terms of relative success or failure to achieve assigned system-defined objectives. Were I to have a subtitle for this essay, it would be "The Economy as a Constitutional Order." I would append the word "constitutional" to the word "order" so as to indicate that my perspective differs both from those evolutionists who do emphasize the economy as an order but who, at the same time, deny that such an order can be "constituted," and from those who fail to make the distinction between constitutional and post-constitutional levels of choice.

Before proceeding, let me also classify myself philosophically. I am a methodological and normative individualist, a radical subjectivist, a contractarian, and a constitutionalist. These descriptive attributes are familiar to those of you who may have been exposed variously to my published works over four decades. In a very real sense, these works are little more than my continuing and considered assessment of the state of economics or political economy. I have always been, and remain, an outsider, whose efforts have been devoted to changing the direction of the disciplinary research program. There is perhaps less reason for me to take a reflective look at where we are scientifically than there is for those of my peers who have remained inside the dominant research program that describes what economists do. You would scarcely expect me to take on some new colors at this stage, and I assure you that there has been no recent conversion to a new paradigm. No one has had, or will have, occasion to label me as a holder of the conventional wisdom.

I shall proceed as follows. Section II examines the relationships between scarcity, choice, and value maximization within the domain of economics as scientific inquiry. My aim in this section is to demonstrate how these concepts, by having been placed in too central a role, have generated intellectual confusion. Section III extends the perspective to examine the appropriateness of macroeconomics in the subject matter

domain of our discipline. Section IV briefly treats the grand organizational alternatives and develops the notion that the conception of what the economy is does have normative implications. Section V compares and contrasts the two approaches in terms of the shift from individual to social choice. Finally, in Section VI, the argument is summarized.

II. Scarcity, Choice, and the Maximization of Value

I do not know what the 1989 instructors in economics tell their students about the content of the discipline. Perhaps they simply ignore definitional starting points. But I do recall that, in the 1940s, economic theory (price theory) courses commenced with something like Milton Friedman's statement (1962) to the effect that economics is the study of how a particular society solves its economic problem. And, at least in the 1940s, everyone knew that "the economic problem" was defined by Lionel Robbins (1932) as the allocation of scarce resources among alternative ends. Scarcity, the inability to meet all demands, implies that choices must be made, from which it seems to follow directly that a criterion for "better" and "worse" choices is required. This criterion emerges as some common denominator that allows the differing demands to be translated into a single dimension, which we then label as "utility" or "value." The "economic principle" offers the abstractly defined normative solution to the economic problem. Scarce resources are allocated among alternative uses so as to secure maximum value when a unit of each scarce resource yields equivalent value in each use to which it is put. Satisfying this norm maximizes value subject to the resource scarcity constraints. Economics, as a realm for scientific inquiry, does indeed seem to be reducible to applied maximization; the calculus seems surely to be its basic mathematics.

I want to suggest here that this economics, which is the economics that I learned both as a student and as a young professional, generates intellectual confusion and misunderstanding because it focuses attention inappropriately on scarcity, on choice, and on value maximization, while shifting attention away from the institutional structure of an economy, with the consequent failure to make elementary distinc-

tions among alternative structures. Given the dominance of the Robbins formulation in the economic theory of mid-century, it is not surprising that market solutions were often modeled as analogous to planning solutions to the resource allocation problem. Economists proceeded as if "the market" embodies "social choices" among alternative allocations of resources, choices that may be compared with those that might emerge from the monolithic decisions of a single planner. Given the mind-set of mid-century, it is also not surprising that Arrow (1951) extended his impossibility theorem to the market as well as to political choice.

As early as 1963, in my presidential address to the Southern Economic Association (1964), I criticized the central role assigned to the maximizing paradigm in economics, and I called for a revival of "catallactics" (or "catallaxy") as the core of our discipline. My argument was that economics, as a social science, is or should be about trade, exchange, and the many and varied institutional forms that implement and facilitate trade, including all of the complexities of modern contracts as well as the whole realm of collective agreement on the constitutional rules of political society.

In a basic conceptual sense, the exchange process remains categorically different from the choosing process. In exchange, there is a necessary interaction between (among) separate actors (participants), no one of which can choose among "solutions." In exchange, each participant does, of course, make choices among alternative bids and offers (strategies). But these choices of any single participant are, at most, only a part of the interaction process. A solution to an exchange emerges only from the choices made, separately and independently, by all participants in the process. This solution, as such, is not explicitly chosen by any one of the participants, or by the set of participants organized as a collective entity. This solution is simply not within the choice set of either individual actors or the collectivity.

This elementary sketch of exchange provides the basis for my early assertion that game theory offers the appropriate mathematical framework that facilitates an abstract understanding of economics. In exchange, as in ordinary games, players or participants may be modeled as behaving so as to maximize their separately defined utilities, sub-

ject to the constraints separately faced, as defined by the rules, the endowments, and the predicted responses of other participants. The standard maximizing behavior embodied in rational choice models may, of course, be accepted for this analytical exercise. But, in exchange, again as in ordinary games, neither any single player-participant nor the set of players-participants, as a group, treats the outcome of the process as a maximand. The solution to the exchange process, simple or complex, is not the solution of a maximization problem, and to model it as such is the continuing source of major intellectual confusion in the whole discipline.

Equilibrium in any exchange interaction signals the exhaustion of the mutual gains, and this solution, as such, has behavioral properties that also describe positions of maxima for all choices. At equilibrium, no participant has an incentive to make further bids (offers) within the rules that define the structure of the interaction. In the equilibrium of the ideally competitive economy, there is no incentive, either for any single participant, or for any group of participants, including the all-inclusive group, to modify the results within the rules.[1] But what is maximized in this solution to the competitive "game"? That which is maximized, in any sense at all meaningful for behavior, is the value for *each* participant, as determined separately and subjectively, subject to the endowments initially possessed and to the expressed preferences of others in the nexus, as reflected in the bids (offers) made in markets. There is no "social" or "collective" value maximization, as such, in the exchange process, even in some idealized sense. Aggregative value, measured in some numeraire, is, of course, at a maximum in the solution, but this is a definitional consequence of the equilibrium. The relative prices of goods and services are themselves determined in the process of attaining the equilibrium, and it is only when these emergent prices are used that any maximum value, as an aggregate, can be defined.

Since an abstractly defined maximum for aggregative value cannot exist independently of the market process through which it is achieved, it is meaningless to refer to a shortfall in aggregative value, as such, except as some indirect identification of failure to exhaust gains from trade among participants somewhere in the nexus. Since participants

are presumed able to make their own within-exchange choices, the political economist's hypotheses that value is not being maximized must be derived from observations that there exist impediments to the trading process (Buchanan 1959, 1988), whether at the simple level of buyer-seller exchange or at the level of all-inclusive complex "exchanges" in public goods. The observing political economist is unable, even conceptually, to construct a "social welfare function" that will allow him to carry out a maximization exercise analogous to that which the planner for a centralized economy must undertake. For such a planner, his choices are analogous, even if at a different dimension of complexity, to those faced by any single participant in the exchange nexus.

III. Macroeconomics and Constitutional Political Economy

The basic and elementary distinction between the maximizing and the exchange paradigms supports the proposition advanced earlier concerning the suggested exclusion of macroeconomics from the domain of our disciplinary subject matter, at least macroeconomics as normally defined. That which is generated in the economic interaction process, whether or not represented as a formalized, abstractly defined equilibrium or solution, emerges from the separate and interdependent choices made by many participants, choices that are coordinated, whether efficaciously or not, through the institutional arrangements that define the economic structure. The economywide aggregated variables, such as national income or product, rates of employment, capacity utilization, or growth, are not variables subject to choice, either directly or indirectly, by individual participants in the economy or by political agents who may presume to act on behalf of all participants as a collectivity, or any subset thereof.

It is intellectually confusing even to model "the economy" as if its normative purpose is one of maximizing income and/or employment, or, indeed, as if 'the economy' has normative purpose at all. As noted earlier, any failure of the interaction process to generate maximum value must reflect failure to exploit gains from trade, whether simple or complex. This putative diagnosis calls attention to the structure itself which

may contain constraints that prevent the consummation of mutually advantageous trades.

Alternative structures are, of course, to be evaluated indirectly by observations of the patterns of results generated, and these results may be represented in terms of the familiar macroaggregated variables such as the level and growth of national product or employment. An economy that persistently generates wide swings in levels of income and employment would, appropriately, be deemed to be a *structural* failure, and such a pattern of results should offer incentives to investigate, locate, and identify the structural sources of the problem, leading ultimately to structural-institutional reform.

The tragic flaw in Keynesian-inspired macroeconomics lies in its acceptance, and, hence, neglect, of structure while concentrating almost exclusive attention on the prospects and potential for "guiding" the economy toward more satisfactory target levels of the aggregative variables. It is not at all surprising, when viewed in retrospect, that this monumental misdirection of scientific effort should have occurred, given the dominance of the maximizing paradigm during the critical years of mid-century. There was a general failure to recognize that the whole intellectual construction is inconsistent with a structure that allows for the independent choice behavior of many participants in the economic nexus. As Keynes himself recognized in his preface to the German translation of his book, the whole reinterpretation of the economic process in a normatively directed teleological model was more applicable to an authoritarian regime than to a democratic one.

I do not want to suggest, however, that the classical economists, at least those who were the targets of Keynes's direct criticism, were free of their own peculiar sort of blindness that led them, also, to neglect structural elements. In their implied presumption that results embodying satisfactory levels of the aggregative variables would emerge, independently of possible structural failures, these economists were ill-prepared to defend the discipline against the emotionally driven zealots for macroeconomic management.

The intellectual, scientific and policy scenario should have been, and could have been, so different in those critical decades before mid-century.

Little was really needed beyond an elementary recognition that the economic process functions well only within a legal-constitutional structure that embodies predictability in the value of the monetary unit, accompanied by a regime reform that would have been designed to guarantee such predictability. (In this respect alone, a unique window of opportunity was missed in the 1930s.) Macroeconomic theory, in both its lower and its higher reaches, need not have been born at all, along with the whole industry that designs, constructs and operates the large macroeconomic models.[2]

IV. Socialism, Laissez Faire, Interventionism, and the Structure of an Economy

It is now widely acknowledged, both in theory and in practice, that socialism was (is) a failure. The socialist god is dead; the promise that was once associated with socialism, as an overarching principle for social organization, no longer exists. The romantic image of the state as an omniscient and benevolent entity, an image that had been around since Hegel, was shattered by the simple observation that those who act on behalf of the state are also ordinary humans, like the rest of us, who respond to standard incentives within the limited informational setting they confront. Centralized economic planning, with state ownership and control over means of production, has entered history as intellectual folly, despite the record of its having attracted the attention of so many brilliant minds in the first half of this century, and also despite the awful realization that efforts to implement this folly involved the needless sacrifice of millions of lives.

At the opposing end to socialism on the imagined ideological spectrum stands the equally romantic ideal of laissez faire, the fictional image of the anarcho-capitalists, in which there is no role for the state at all. In this model, freely choosing individuals, who have somehow costlessly escaped from the Hobbesian jungle, will create and maintain markets in all goods and services, including the market for protection of person and possessions. It is as difficult to think systematically about this society as it is to think of that society peopled by the "new men"

of idealized communism. Robert Nozick's derivation (1974) of the minimally coercive state was surely convincing even to those stubborn minds who held onto the laissez-faire dream.

Any plausibly realistic analysis of social order, whether positive or normative, must be bounded by the limits set by these ideological extremes. The state is neither omniscient nor benevolent, but a political-legal framework is an essential element in any functioning order of human interaction. The analysis, discussion, and debate then centers on the degree or extent of political control over and intervention into the interaction process. The extended interventionist state remains a viable alternative in the ongoing political argument and proponents for such a state are found among scientists and citizens alike, and despite the general loss of faith in the socialist ideal. Opposed to the extended interventionist polity lies the minimal or protective state, tempered variously by acknowledgment of the appropriateness of both productive and transfer state elements.[3]

Questions may be raised at this point concerning how these issues relate to my evaluation of the state of economic science, which was, after all, my assigned task for this essay. I return to my central theme. My hypothesis is that the basic conceptualization of what "an economy" or "the economy" is, the paradigmatic vision of what it is that we are inquiring into and about, does, indeed, carry direct normative implications. In a real sense, my hypothesis suggests that divergent normative stances may reflect divergent *understandings* rather than differing ultimate values. If this hypothesis is descriptively accurate, genuine scientific progress may be made at the level of fundamental understanding (methodology) as well as at the apparent cutting edges of some presumed invariant empirical reality.[4]

Applied somewhat more narrowly, my hypothesis is that the normatively preferred scope for state or collective intervention will depend directly upon the conceptualization of what the economy is, as the subject for scientific inquiry. That is to say, the normative debate on the turf bounded between the socialist and the *laissez-faire* extremes will reflect the divergent models of the observed reality. In a certain sense, *the ought is derived from the presumed is.*

Let me try to be more specific. I suggest that an accepted understanding of the economy as an order of interaction constrained within a set of rules or constraints, leads more or less directly to a normatively preferred minimal intervention with the results of such interaction. By comparison and by contrast, an accepted understanding of the economy as an engine, mechanism, or means, organized for the achievement of specifically defined purposes, leads more or less directly to a normatively preferred stance of expediency in evaluating possible state or collective intervention with the interaction process.

Many textbooks commence with a discussion of the functions of an economy, as introduced by Frank H. Knight (1934). I have suggested (1988) that even so much as a listing of "functions" for an economy may generate confusion and misunderstanding. If the economy, as such, is without purpose, how can we attribute functions to its operation? The economy-as-order conceptualization forces us to restrict evaluation to the relative success of the structure in facilitating the accomplishment of whatever it is that the separately interacting participants may seek. (Again, the basic game analogy is useful. We evaluate the rules that describe a game by assessing how successful these rules are in allowing players to achieve those objectives they seek in playing.)

The point here may be made emphatically in the simple example of two-person, two-good exchange. Two traders are presumed to hold endowments in two goods, and these endowments are assumed to be mutually acknowledged to be owned by the initial holders. The traders are observed to engage in exchange, and a post-trade distribution of endowments different from the pre-trade distribution emerges. How do observing economists evaluate this simple exchange process? The two interpretations or understandings involve quite different exercises. The mechanistic, functionalist, teleological understanding introduces a presumed prior knowledge of individual utility or preference orderings, and the post-trade positions are compared with the pre-trade positions, for each trader. If the comparisons indicate that each trader has moved to a higher level of utility, the exchange is judged to have been mutually utility-enhancing.

The economy-as-order understanding proceeds quite differently. The economist does *not* call upon some presumed prior knowledge of the utility or preference functions of the two traders to be able to conclude that the exchange has been utility-enhancing for each trader. He does not evaluate the results of exchange teleologically against some previously defined and known scalar. Instead, he adjudges the exchange to have been utility-enhancing for each trader to the extent that the *process* itself has embodied attributes of fairness and propriety. If there has been neither force nor fraud, and if the exchange has been voluntary on the part of both traders, it is classified to have been mutually beneficial. When the economist analyzes the behavior of the traders in entering into and agreeing on terms of exchange, he may, if desired, use the language of utility maximization, provided that the exclusive emphasis is placed on individuals' behavior in maximizing their separately identified utilities, which are not observable independently.

Important implications for potential intervention in voluntary exchanges stem from the contrasting interpretations here. If the economist bases his evaluation on the relative success of the exchange in moving the traders higher on an independently existing utility scalar, he may be led to recommend intervention even in the absence of observation of force, fraud, or coercion in the exchange process itself. This approach provides the basis for paternalistic, merit-goods arguments for collective interferences with voluntary market exchanges. The individual may not act so as to maximize his own utility. On the other hand, if the observing economist bases his evaluation exclusively on the process of the exchange itself, recommendations for collective intervention must be limited to proposals for removing barriers to trade inclusively defined.

We can remain with the simple exchange example to discuss the role of agreement in the two interpretations-understandings of economic interaction, along with the place of the Pareto criterion in any evaluative exercise. Exchange involves agreement on the part of traders, both upon entry into trade and upon terms of trade. The emergence of a post-exchange distribution of goods signals an equilibrium of sorts. The teleological interpretation of exchange does not call upon agreement

for any critical purpose. The dual criteria are the separate utility scalars of our two traders, presumed known to the assessor prior to trade. If exchange moves each trader higher on the scalar assigned to him, the change is defined to have been Pareto superior. The welfare assessment can be positive without any necessary resort to interpersonal utility comparisons.

By contrast, the economy-as-order interpretation depends critically upon agreement as the criterion for assessment. Since there are no independently existent scalars, the only indication that traders have improved their position lies in their observed agreement. A positive welfare assessment becomes possible because the agreement has signaled mutually preferred change. Agreement is the means of defining Pareto (Wicksell) superiority, and it is the only means that exists.

V. From Individual to Social Choice: Utilitarian Versus Contractarian Foundations

The economist who conceptualizes the economy as a potential welfare-generating mechanism or instrument may be unwilling to limit criteria of evaluation to separately imputed, individually identified scalars. Almost by necessity, and despite the acknowledged insupportability of a simplistic utilitarianism, some attempt will be made to derive meaningful measures for "social" or "collective" utility. This is the essential thrust behind the invention-elaboration-use of the social welfare function constructions in mid-century theoretical welfare economics, constructions that embodied both explicit introduction of ethical judgments and the relevance of the Pareto escape from direct interpersonal utility comparability. This whole exercise involved a search for a post-Robbins scalar against which the potential performance of the economy might be measured, a scalar that could be set up to exist independently of the performance itself. Success or failure of that which is evaluated, the economy or the market, is then determined from some comparison of observed results with those that might have been achieved. Modern economists who resorted to the social welfare function constructions, and despite all their methodological and philosophical sophistication,

have really not succeeded in escaping from the utilitarian foundations from which the whole maximizing-allocationist paradigm emerged late in the nineteenth century.

If we shuck off the utilitarian trappings and simply abandon efforts to construct a scalar that will allow evaluation of performance for the economy or the market, as such, we are then forced into an acceptance of the alternative conceptualization advanced here, that of the economy as an order, or structure, or set of rules, the performance of which is not to be evaluated in terms of results that are conceptually divorced from the behavior of acting individuals within the order itself. Within the order or structure, individuals engage in trade. If we then generalize the trading interaction and extend its application over large numbers of actors, we may begin to explain, derive, and analyze social or political interdependence as complex exchange, as a relationship that embodies political voluntary agreement as an appropriate criterion of legitimation.

The contractarian tradition in political philosophy offers the intellectual avenue that facilitates the shift of inquiry from simple market exchange engaged in by two traders to the intricacies of politics. Many critics balk at this extension. They may accept the centrality of voluntary exchange in economic process but remain unwilling to model politics in the exchange paradigm. By simple observation, so say such critics, politics is about conflict and coercion. How can we even begin to explain political reality by an exchange model?

The contractarian response requires a recognition of the distinction between the constitutional and the in-constitutional or post-constitutional levels of political interaction, a distinction without which any normative justification for political coercion could not exist, at least for the normative individualist. Conflict, coercion, zero-sum or negative sum relationships among persons—these interactions do indeed characterize political institutions, as they may be observed to operate *within a set of constitutional rules,* that is, within a given constitutional order. The complex exchange model which embodies agreement among the many participants in the political "game" is clearly inapplicable here. But if analysis and attention are shifted to the level of rules, among which choices are possible, we can use potential and actual agreement among

persons on these rules as the criterion for normative legitimacy. And such agreement way well produce rules, or sets of rules, that will operate so that, in particularized sequences of ordinary politics (single plays of the game) there may be negatively valued results for some of the participants (Buchanan and Tullock 1962).

Note that there is a more or less natural extension from the simple model of market exchange to the complex model of constitutional politics. There is no categorical distinction between the economic and the political process; inquiry in each case centers on the choice behavior of individuals who act, one with another, to choose rules that will, in turn, constrain their within-rule choices that will, in their turn, generate patterns of results. Note also, however, that this politics-as-complex-exchange derivation is not readily available to the economist who remains trapped in the maximizing straightjacket.

VI. The Political Economy as a Constitutional Order

I fudged a bit earlier in this essay when I indicated that my subtitle for it would have been "The Economy as a Constitutional Order." It should now be clear from my discussion that I define the institutions of both the economy and the polity as belonging to an inclusive constitutional order that we may designate as "the political economy." The political economy is described by the whole set of constraints, or structure, within which individuals act in furtherance of their own objectives.

Defined exclusively, these constraints include physical and technological limits, including those embodied in human capacities, that can be taken as invariant. These "absolutes" are beyond my range of interest, except to note that much of the folly of the socialist idea stemmed from a failure to recognize the relative immalleability of human beings. My concern here, however, is with the set of constraints that are subject to deliberative change, and, hence, to choice.[5] Because these constraints are general and extend over all participants in the political economy, any choice must be, by definition, public, in the classic public good sense of this term. A shift in constraints for any one actor must apply for all actors.

Let me now return to the distinction made earlier between the constitutional and the in-constitutional levels of choice. Given any set of constraints, individuals will, separately and jointly, act in pursuit of their own interests and objectives. For some purposes, it is useful to take the existing constraints as a set of relatively absolute absolutes and to direct inquiry to predictions about the emergence of patterns of results. This domain of positive economics is productive, but it should not lead to the inference that these patterns of results can be modified to meet predetermined objectives, independently of any shift in the constraints themselves. Such effort must be paralleled by analyses aimed at predicting results that will emerge under alternative constraints, other rules of the game, other constitutional structures. As I noted earlier, the tragedy of the Keynesian enterprise lay in its failed effort to modify aggregative results directly, due to its oversight of any prospects for institutional-constitutional change.

If the political economy is conceived as being described, in part, by constraints that can be subject to explicit collective choice, attention is immediately drawn to prospects for constitutional-institutional change. Once again the game analogy is helpful; we change a game by changing the rules, which will, in turn, modify the predicted pattern of outcomes. If we diagnose the patterns of results observed to be less desired than alternative patterns deemed to be possible, it is incumbent on us, as political economists, to examine predicted results under alternative constraint structures. It is not legitimate to criticize, for example, an existing distribution of income of allocation of resources as being unjust, inequitable, or inefficient, without being able, at the same time, to demonstrate some proposed alternative regime that can be expected to generate distributions or allocations that will do better by the same standards (Vining 1984; Usher 1981; Brennan and Buchanan 1985).

No one will, of course, be surprised that I have used the occasion of this essay to present a varied reiteration of the case for "constitutional political economy" as the research program that should command the current attention of economists. As such, this research program involves both positive and normative elements. Some critics have often accused me of skirting dangerously close to, if not actually commit-

ting, the naturalistic fallacy, that of deriving the "ought" from the "is." I have never been concerned with such criticisms directly because, as noted earlier, in a certain sense we do derive 'oughts' from our conceptions of what "is." The "is" that we take to be the economy does, indeed, have direct implications for how we ought to behave in our capacities as citizens who indirectly make collective choices among sets of rules. And let us be sure to understand that there is no "is" that is "out there" to the observing eye, ear, or skin. We create our understanding of the "is" by imposing an abstract structure on observed events. And it is this understanding that defines for us the effective limits of the feasible. It is dangerous nonsense to think that we do or can do otherwise.

NOTES

1. In slightly more formal terms, the competitive equilibrium is in the core of the game. This conclusion holds only if the rules of the game are strictly defined and enforced, and especially in relation to the incentives offered to potential monopolizing coalitions

2. Because of the near-universal failure of economists to look at structure, then and now, we face, in the 1990s, even more potential unpredictability in the value of the monetary units than we did in the 1920s. Given the inherent structural defect in our monetary regime, macroeconomic theorizing and the macro models may be useful, if for no other reason than that our discretionary monopolists of fiat issue may use such models for their own purposes The macro money game that we all must play is cumbersome, complex, and confusing It is sheer intellectual folly, joined with some jealousy for pseudo-scientific inquiry, to pretend that a regime shift could not produce dramatic increase in well-being for almost everyone

With predictability in the value of the monetary unit established (with any one of the several alternative regimes that might be the replacement for the discretionary authority in existence), economists could then get on with their appropriate social roles of analyzing the exchange process in detail, with identifying barriers to the implementation of value-enhancing voluntary exchanges, with advancing hypotheses concerning changes in constraints that allow individuals to exploit more fully all potential for mutual gains

3. A cynical observer might suggest that little, if any, scientific progress has been made since 1776, when Adam Smith first presented the antimercantilist argument from which modern economics emerged Mercantilism (protectionism, interventionism) seems to have reemerged in the decades of the 1970s and 1980s in partial replacement for the acknowledged demise of socialism.

4. As my great professor, Frank H. Knight, once remarked at the end of an impressively presented empirical survey, "proving that water runs downhill," which expresses my own verdict on much of what I see in the now-dominant empirical emphasis of modern economic research I doubt if many economists are convinced by empirical evidence alone, although I acknowledge that the linkage between evidence and understanding remains mysterious

5. I do not accept the implications of the analyses of some cultural evolutionists, who suggest that the basic institutions of social order evolve without conscious design and, by inference, suggest also that deliberate improvement in these institutions may be impossible, and, further, that attempts at improvement are harmful

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