“ordinary logic” and of vagueness reappear. (“It is better to be vaguely right than precisely wrong.”) Rigor does not always mean mathematical formal precision. There are fields, such as economics, which should rely on the identification of tendencies—in the logic of ordinary discourse and in the acceptance of a moderate methodological pluralism. The best strategy is synthesis. We must foster the relationships among philosophy, history, and the other social sciences. This is especially important for political economy and for economics education.

In sum, an economic methodology based on an economic ontology has a lot to teach the academic economist, the practical economist, and the student of economics. We might begin by studying Dow’s book. It is a pleasure to see it as one of the books for students of economics in the Oxford University Press catalog. It deserves to be widely adopted.

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Austrian Economics and the Political Economy of Freedom

Richard M. Ebeling

Cheltenham, United Kingdom: Edward Elgar, 2003 (285 pages)

Since the nadir of Keynesianism in the late 1970s and early 1980s, there has been a great revival of interest in the economics of the free market and especially in that school that, prior to Keynes and the almost mystical hold he had on the minds of so many people, was very widely accepted, the Austrian School of Economics. Since the 1930s, in addition to the statist Keynesian approach to economics, which insisted on government manipulation of the economy through fiscal and monetary policy, not to mention the various justifications for socialism, the Austrian School has had to contend with what is called the neoclassical paradigm. This approach, in an attempt to mirror the methods and prestige of the natural sciences, relegated economics to virtually nothing more than various mathematical models of the different aspects of economic life.

The neoclassical approach has resulted in a number of stunting effects on economics as a science and has led to stinging criticisms of economics by many observers working within the Judeo-Christian tradition. Neoclassical analysis has made man into what some religious believers see as an automaton, who almost robotically makes choices based on predetermined preferences. The neoclassical paradigm also deals almost exclusively with questions of efficiency, which are important but are in no way central to economics as a science.

One of the main reasons that neoclassical economists have given economics such a bad name is that they do not investigate or discuss the philosophical premises behind their thought. They deal with how the world works in an abstract and mechanical way, but to consider why the world might work this way is out of the question.
Richard Ebeling has entered the debate with an excellent exposition of the Austrian School. Ebeling’s book ranks with other major treatments of the topic, including Karen Vaughan’s *Austrian Economics in America: The Migration of a Tradition* and Raimondo Cubeddu’s work *The Philosophy of the Austrian School*, though Ebeling’s account is different in one critical way: It is more accessible to the general reader. Such an account may serve the valuable purpose of diffusing the criticism of those people of faith who believe that they are adamantly opposed to free-market economics but are in fact hostile toward only a certain neoclassical textbook version of it.

Interestingly enough, Ebeling begins his book with just this subject in order to orient his readers. He then does an excellent job of showing how the Austrians continued the tradition of classical economics along with its clear understanding of human nature and its perception of how the market is not something imposed on human nature but stems from it. Hence, the market is natural for man, while other types of arrangements are not. The market, in Hayek’s phraseology, is—like society—a spontaneous order of human action but not of human design. Economics is, to uses Mises’ words, the science of human action, not merely a science of production and consumption. These latter are part of man’s natural function. It is what man does to better his life, and it is the primary object of study for the economist as economist. However, this relatively new science applies to much of the rest of our natural existence as well. We could even say, with Pope John Paul II—although Ebeling does not explicitly concern himself with the theological—that man, in acting in the market, is fulfilling his role as co-creator with God, a role that we see revealed in the book of Genesis.

Professor Ebeling also gives us a very thorough explanation of the socialist calculation debate. He demonstrates very well why Mises thought that, if the state is allowed to intervene in the market just a little—the so-called third way—it will wind up slowly but surely eating away the very freedom that the proponents of the third way thought their suggestions were protecting (i.e., the unbridled-capitalism-leads-to-socialism-due-to-its-excesses approach). This is clearly brought out in chapter 9 regarding the German “Ordo liberals,” who recommended some government interventions, but later regretted their support for these because they had gone too far, as Mises predicted they would.

All of these topics illustrate the main theme of the book, which is the political economy of freedom. In showing how the Austrians defend human nature and the market system coming from that nature, Ebeling is also saying that freedom will only result from recognition of the connection between human nature and the market. Only this recognition, he argues, will clear away the ideological fog infecting so many people in the West, including so many people of faith who have well-meaning but destructive socialist and antifreedom—and hence, antihuman nature—views.

Because this book is written for the nonspecialist reader, Ebeling avoids the internal disputes within the Austrian School and especially concentrates on Mises’ indisputable contributions as the basis of his argument. This does not take away at all from its value for the educated layman and even the economist who wants a fuller explanation of the premises of the Austrian School and its defense of the market. The book is superbly
The Political Economy of the Voluntary Sector:
Reappraisal of the Comparative Institutional Advantage
of Voluntary Organizations

Brian E. Dollery and Joe L. Wallis
Cheltenham, United Kingdom: Edward Elgar, 2004 (208 pages)

Brian Dollery of the University of New England and Joe Wallis of the American University of Sharjah provide a detailed review of past and emerging theories surrounding the voluntary sector. The authors take a methodical approach to summarizing and critiquing arguments for why the voluntary sector exists, how the voluntary sector can operate differently yet as a supplement to the public and private sectors, how government can better enlist the aid of the voluntary sector, and under what circumstances the voluntary sector fails.

Dollery and Wallis begin by arguing that the voluntary sector arises from the intersection of market and government failures. Summarizing arguments by Rose-Ackerman, Weisbrod, Ben-Ner and Gui, and others, the authors show that voluntary organizations can emerge as a result of asymmetric information. When a product’s quality cannot be readily observed or evaluated, nonprofit or organizational can engender a level of trust that consumers are less willing to ascribe to for-profit firms to the extent that consumers believe the nonprofit’s motivation is to provide a quality product devoid of considerations of profit-making. Further, because of size and incentive issues, it is difficult for the government to provide anything other than standardized output. However, being motivated to provide for a particular need, being numerous, and being in competition for donors, nonprofits not only can respond to the demands of the consumers but have strong incentives to do so. In the presence of asymmetric information, the nonprofit fills a niche by combining the market response inherent in the private sector with the trust engendered by the public sector.

The authors provide some background on the well-known instances of market failure: noncompetition, public goods, externalities, and principal-agent problems. Citing their previous work, Dollery and Wallis go on to enumerate three government failures. Legislative failure is the overproduction of public goods resulting from politicians seeking to maximize their chances of reelection. Bureaucratic failure arises when public servants lack the incentives necessary to implement public programs efficiently. Rent seeking occurs when people, in response to government’s ability to transfer wealth,