Oakley offers an effective critique of mainstream economic thought throughout this book. However, his positive project is not clear. Admittedly, Oakley claims only to make metatheoretical suggestions; he is only suggesting, not doing, a reconstruction of economics, but surely he can provide some hint as to the application of this theory. His comments on the problem of application appear only in the last paragraph of the book and are vague and elliptical at best. It is not clear whether he believes that we can generate more predictability through an application of his method, or that the nature of economics is simply not predictive.

Second, although Oakley often adopts the technical language of each thinker when writing about him, he does not always clearly delineate his uses of terms. For instance, “Rationality,” has both thick and thin connotations. Throughout the book he refers to the “irrational action” of agents, meaning sometimes their acting on lack of knowledge and at other times meaning their acting on imaginative constructs of the future rather than on real knowledge of it. Plenty of accounts of substantive rationality allow for the inclusion of imagination, and even passion, in a rational, human, thought process. Other non-substantive accounts restrict rationality to the thin economic notion of instrumental rationality (the ability to calculate means for a given end).

The technical language in the section on Schutz can also be obfuscating for those unfamiliar with phenomenology. Because Oakley chooses to deal with each thinker one by one rather than with each subject of neoclassical critique, the book can sometimes feel like an introductory reader to a new economic meta-theory rather than a book that itself presents a coherent theory. Furthermore, this organizational style also leads to redundancies in the text. On at least two occasions, several sentences are repeated word for word approximately forty pages apart (for example, 108, 147).

Third, I can only assume that Oakley, by introducing psychological and sociological factors into his analysis of human agency, does not mean to usurp the place of the logical analysis of human agency from which economic law is derived in the Austrian tradition. I do not see that there is any direct opposition between the two methods. One aims to establish axiomatically valid, economic law and the other aims to increase our understanding of socially and culturally embedded economic action. Adherents of the Austrian school are adamant that psychology is not at issue in their establishment of economic law. Assuming that Oakley accepts the Austrian position here, he might have been clearer about it; a reader ignorant of the Austrian tradition in economics could easily take some of his comments to mean that economic analysis will be wildly different from culture to culture.

Nevertheless, Oakley’s topic is important and his approach is novel and promising. He means only to begin what he hopes will flower into a new research project: pulling economics back toward its philosophical roots and away from mathematization. I believe that it is well-worth struggling through the smattering of work that he presents on this subject in order to begin shaping a more compelling economic tradition.

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The Economic Process: An Instantaneous Non-Newtonian Picture
Carmine Gorga
Lanham, Maryland: University Press of America, 2002

A much better title for this book would have been simply: “The Costs of Hoarding.” Carmine Gorga does put his finger on an economic reality often neglected by economists. Not all wealth is put to productive uses, and, when wealth is wasted in this way—hoarded—bad things happen to the economy.

Instead of stopping there, Gorga pushes his argument too far. He argues that the neglect of hoarding by economic theory means that all of economic theory needs to be rebuilt from the ground up. That includes everything from the theory of the firm to monetary theory to the theory of consumer behavior. And Gorga, in one volume of overwrought and discontinuous thought, attempts to do just that. This is similar to the charge that every single problem in the Catholic Church in the last thirty years has been caused by the abandonment of the Latin liturgy. Imagine writing three hundred fifty pages explaining how Christian doctrine, governance, and spirituality have been destroyed by the vernacular. In Gorga’s case, those pages would all explain how two hundred years of economic thought have nearly been for naught due to the omission of hoarding as the centerpiece of analysis. Not surprisingly, one must gravely oversimplify these issues in order to make such a claim.

Most economists would stipulate that hoarding hurts the economy. The individual who chooses to give up liquidity for useless material goods makes a bad bargain for himself. Ultimately, the market punishes those who engage in a strategy of self-improvisement. If enough people hoard their wealth, the size of the economy would certainly shrink. But why would anyone do this? What evidence is there that individuals and firms pass up genuine profit opportunities for the option of burying their talents in the ground? Gorga provides no empirical evidence that hoarding is a significant problem. If it were a significant problem, then perhaps the issue would deserve some tightly focused attention.

It should be obvious from this summary that this book is far from the mainstream in economic thought. There is little here that will attract the interest of those who follow the progress of economic science. Gorga’s book proves that it is much easier to attempt to reinvent the wheel from a new physics than it is to make real, though limited, contribution in the marketplace of economic ideas.

What is unfortunate is that Gorga missed an opportunity to bring to bear his substantial background in classical economics on an analysis of the causes of hoarding. Clearly, people hoard as a hedge against uncertainty. It is true that the basic Keynesian spending model does not account for this possibility. In that case, the amount of savings by households might not equal the amount spent in investment by firms. Hoarding, then, must be a function of a household’s effective time horizon, the stability of recent economic activity, and the availability of reliable information about the future. Thus,
the economic significance of hoarding ought to be inversely proportional to economic stability. One might see a great deal of hoarding, with grave negative consequences, in societies where property rights are insecure, where contracts are not enforced, or where monetary mismanagement destroys the reliability of the price mechanism. What might result would be empirically testable propositions that could be tested in sub-Saharan Africa, in contemporary Argentina, or in any other place where the invisible hand has ceased to function.

Gorga would agree that hoarding is fundamentally a moral issue, something that should be of great interest to those concerned with ethics in the marketplace, but he missed an opportunity to explore the function of all those economic institutions—the savings bank, the mutual fund, the insurance company—that serve to deter hoarding by offering a less-costly hedge against disaster. The fact is that the existence of hoarding represents a profit opportunity to those firms that can find a way to eliminate it. It may be that the existence of hoarding may not represent a moral failure as much as it reflects the failure of institutions that should correct it. Indeed, the real story here is how little hoarding there is, rather than how much.

It is important to remember that modern economic theories are not meant to be descriptively accurate. They are meant to be testable by empirical means, but the most testable theories are the simplest, the same ones that seem least plausible in terms of their assumptions. The one thing that the theory strives for is microfoundations, a theory grounded in the behavior of rational, self-interested firms and individuals. This does not mean that there is no room for a reflective philosophy of the free market system, a philosophy that operates from a rich set of assumptions. But if one wants to invent a new science of economics, as Gorga seems to attempt with his self-branded Concordian economics, then one must enter the ongoing conversation more humbly, with less-extravagant claims.

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The Ethics and the Economics of Minimalist Government
Timothy P. Roth
Cheltenham, United Kingdom: Edward Elgar, 2002 (134 pages)

The primary aim of Timothy Roth in this book is to expose the fundamental problems of modern, social welfare economics and to offer up a Kantian/Rawlsian alternative. At the outset, Roth rightly points out that Adam Smith was known in his day as a moral philosopher and that his work in economics was merely an offshoot of his larger moral theory. In fact, even before Smith, economic thinking was always a component part of the broader study of moral philosophy and theology. Nevertheless, positivist analysts today attempt to deny any link to moral theory and typically assert that their activities are purely scientific and are not influenced by normative issues. It is with this assertion that Roth takes immediate exception and argues effectively that modern welfare theory is fundamentally informed by utilitarianism, the moral philosophy spawned by Jeremy Bentham in the nineteenth century. Therefore, he insists, economists who work in this tradition ought to recognize this fact.

After making his case regarding the inherent utilitarianism of welfare economics, Roth begins to develop a comparison between it and the Kantian/Rawlsian alternative. He rightly classifies each moral theory under a broader class of moral theories, noting that utilitarianism is consequentialist and that the Kantian/Rawlsian alternative is contractarian. In sum, a consequentialist theory appeals to the morality of an action based upon the subsequent outcomes brought about by the act, while the contractarian approach appeals to the application of universal rights naturally possessed by all people and hence, judges actions according to whether or not these rights are violated. As applied here, the author argues for the moral equivalence of all people, which gives rise to the categorical imperative of the imposition of a generality principle in evaluating public policies. Using these categories, Roth demonstrates why it is not possible for someone who advocates modern welfare analysis to maintain an overarching commitment to property rights. In effect, the utilitarian often does advocate the violation of property rights; he believes that such a violation serves some greater social purpose. Therefore, while early utilitarians were often strong supporters of a free market, such support is not necessary according to the requirements of the theory. Roth also shows why it is possible for analysts to use this framework to promote discriminatory policies that fail to satisfy the moral requirements of contractarian theories.

I strongly agree with Roth’s conclusion concerning the nature of utilitarian ethics. I agree with several other conclusions as well. In particular, Roth’s commitment to the generality principle will not allow him to embrace any policies that either promote, or may be used to promote, favoritism under the law. Accordingly, his underlying principle of moral action leads him to affirm a limited role for government, one that is bounded by moral justice. The classical tradition of moral reflection has always pointed out certain prohibitions on human action and certain mandates for action. Such prohibitions and mandates always suggest that some foundational individual rights are universal and should be maintained. In addition, I think it is correct to begin with these as a framework within which a moral person makes his decisions to act.

I do have two main reservations about Roth’s book. First, it seems to me that moral action, properly understood, will inevitably produce good consequences. Jesus put the matter this way: “Every good tree bears good fruit, but a bad tree bears bad fruit” (Matt. 7:17). If this is the case, there ought not to be any difference between a sound consequentialist approach and a sound contractarian one. The problem we face in identifying such sound theories is that we do not correctly understand all of the fundamental causal relationships. This problem is compounded when we consider the presence of grace, mercy, and charity practiced by some in society, as well as the efforts by some people to shift the negative consequences of their decisions to others. The presence of