deepen and broaden its collaboration with the IMF. The Bank’s “conditionality” is project and investment specific; it supplements rather than displaces that of the IMF.

Is the World Bank able to play a more effective role than it has so far? At present it is bogged-down in a far-going internal reorganization aimed at making its operations more efficient, and in reducing staff. It is crucial that its president, Barber Conable, a former Congressman from upstate New York, exercises the leadership without which an institution as complex as the World Bank cannot function. With experienced economists in key operational positions the Bank should be able to provide more effective policy assistance in all its operations, including project lending. It need not go overboard in so-called “program lending,” which is akin to the balance of payments finance provided by the IMF.

The future pace of Bank lending should be governed by its success in policy reform. To make possible a continued expansion in lending the Bank will soon need an increase in the capital which backs up its bonds.

Expanding the role of the World Bank will undoubtedly encounter close scrutiny. In the past its activities have been subject to a barrage of criticism. The left (such as Teresa Hayter) accuses the Bank of being neo-imperialistic and excessively intrusive in countries’ internal affairs. The right (such as P.T. Bauer) claims that it ignores the workings of the free market and overemphasizes the role of government. The bank has much to learn from these criticisms, although it has a long record of stressing market price incentives (see the many writings of Bela Balassa), the importance of self-financing and autonomy of enterprises, and the role of private business (for example, the establishment in 1960—and current expansion—of the International Finance Corporation, the Bank’s private enterprise affiliate). One hopes that in reshaping the Bank its new management will pay attention to outside views, and will explain how the Bank actually works and deals with the problems of the major debtors, as well as the poorest countries in Africa and elsewhere.

Biblical observations are central to my thinking about the debt crisis. They are not afterthoughts. They underline the importance of the attention given by the World Bank and others to improving the productivity of the poor. They also confirm the urgency of measures to deal innovatively with the distress in the major debtor nations. There is mounting evidence that the debt crisis and its aftermath have caused deep cuts in the standard of living and investment of the countries concerned. [See Guy Pfeffermann, “Public Expenditure in Latin America,” and “Poverty in Latin America: The Impact of Depression,” both 1987 World Bank publications.] The crisis itself poses the same issues which have been at the core of international development economics since the 1950s: the impact of market fluctuations, the sensitivity to events in industrial countries, the causes of poverty, and policy failure and the advisable extent of reliance on external finance.

The Bible gives us extensive guidance. To mention just a few examples: The Old Testament priests and prophets were aware of the power of interest and the burden of debt. Many had an overwhelming concern with the poor. No interest was to be charged in Israel (Dt. 23:19-20). Creditors should not take collateral when lending to a poor man (Dt. 24:12). In graphic language Amos singled-out suppression of the poor as a main sin of Israel (Amos 2:6-7). And at the end of every seven years one was to make a remission of all debts (Dt. 15:1). Do such teachings suggest that institutions be reformed when they stand in the way of economic justice?

The most compelling text is Rms. 8:13: “Be in debt to no-one. The only debt you should have is to love one another.” A country or person does well in exercising caution in incurring debt. At the same time, from a creditor’s standpoint, a loving relation with a person—or a country—should bring with it an in-depth knowledge of that person/country. There indeed we must start: knowledge of the needs and possibilities of the country. The current vogue of many private bankers is to call for a “menu” of different instruments, such as swaps of debt into equity or exit bonds. But these piecemeal suggestions contribute little to the total need and distract from the real issues: what can the debtor nation do to meet its own needs, how can it improve resource allocation, and what additional external funds must reasonably be provided. A realization of these issues gives meaning to the warning with which this text begins. It should govern much of our advice and teaching.

“The Methodological Reformation in Economics”
A Review of Donald McCloskey’s The Rhetoric of Economics

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The last ten to fifteen years have been a time of ferment and turmoil in that field of economics most commonly known as methodology. Evidently, this methodological ferment mirrors to some degree the tumultuous intellectual changes pervading recent history and philosophy of science. During the past few decades, historians and philosophers of science have rejected the notion of a universally accepted METHODOLOGY of science. By
METHODOLOGY is meant the idea that there is one way to obtain scientific truth and that we can know what this way is. I will call this rejection of an authoritative METHODOLOGY a "methodological reformation." While almost everyone still believes that empirical scientific research can provide information about our external world, almost no one believes in the authority of THE METHODOLOGY of science.

Until quite recently the methodological reformation seems to have had a minimal impact on the economics profession. Most non-methodologists seem to have a narrowly focused awareness of two particular aspects of this reformation: 1) the distinction between normal and revolutionary science popularized in T. S. Kuhn's Structure of Scientific Revolutions, and 2) the idea that scientific inference has been interpreted as falsification rather than verification. This reinterpretation of falsification is usually associated with the early work of Karl Popper. While these are truly significant intellectual innovations in their own right, they pale in comparison to the central notion that no methodology of science can guarantee the conclusion that a given hypothetical statement could ever become scientific truth.

While there has been a lot written applying Kuhn's famous work to economics, most of the recent work in economic methodology has not attracted the general interest of the economics profession. In an important sense, the economics profession needed a scholarly work that would attract not only the attention of specialists, but also the general interest of the typical economist. Kuhn's work performed such a role in the general debate about the nature of scientific inquiry, attracting the attention of specialists and non-specialists in many disciplines. While the content of McCloskey's The Rhetoric of Economics is quite different than Kuhn's SSR, McCloskey's work has performed the same function as Kuhn's. The interest of many non-specialists in the nature of economic science apparently has been raised because of the engaging nature of McCloskey's work. McCloskey's Rhetoric clearly applies the methodological reformation to economics. Economic science like all other sciences provides no path to indubitable truth. Of course scientific methodologies still exist, but they are many rather than one. Such methodologies lead to knowledge which is at best provisional and subject to revision.

McCloskey makes the preceding point by creating a generic term for all of those methodologies of science which have claimed to be the universal METHODOLOGY of science. Modernism is the notion that "we know what we cannot doubt," or conversely, we "cannot know what we can merely assent to."(5) In philosophy of science, logical positivism, logical empiricism, confirmationism, natural science instrumentalism, and other variations of empiricism (in differing degrees), are thought to be modernist in outlook. Although the following list may not be exhaustive, many of the characteristics of modernism are as follows: 1) an emphasis on prediction and control; 2) the necessity of observation; 3) the required reproducibility of empirical tests; 4) the falsifiability of meaningful theories; 5) the objectivity of science, resting in characteristics one through four above; 6) an emphasis on quantification; 7) the rejection of introspection; 8) the separation of science from non-science; 9) an emphasis on explanation using scientific laws; and 10) the acceptance of value-free science.

According to McCloskey, the official methodology of economic science is modernist. Identified as modernists are T.W. Hutchison, Paul Samuelson, Fritz Machlup, Milton Friedman, Mark Blaug, and their followers. Among the many modernist presuppositions listed above, one apparently shared by these economic modernists is the notion of falsification. This is the idea that the logic of scientific inference is asymmetrical, allowing one to decisively reject but never to accept an hypothesis on the basis of experimental evidence. Falsification would fail as a criterion of scientific inference if a sharp separation of theory and fact were deemed impossible. McCloskey denies that the required theory-fact separation can be attained in the real world in which scientific experiments are done and economic investigations actually are performed. Thus one of the most important tenets of all variations of positive economics cannot be fulfilled.

Another modernist tenet is prediction; truly scientific theories must yield predictable outcomes. The importance of prediction is partly drawn from the significance attached to falsification. Prediction forms a basis for falsification. Theories which predict specific future results can be contradicted by subsequent contrary events and thus rejected. Prediction leads to problems similar to those encountered with falsification. Theories that have failed to predict accurately can be retained if it can be shown that contrary events violated the basic assumptions of the theory. In practice few theories, if any, are ever rejected on the basis of inferior or unfulfilled predictions. According to McCloskey, economic science is just too complex for clear notions of falsification and prediction to be relevant to the actual conduct of science. As a matter of scientific practice, these modernist requirements for science are hardly ever met.

If modernist methodologies are unacceptable on intellectual grounds and impossible to implement as a practical matter, then what should form the basis for conceptualizing the nature of science and economic science? For McCloskey, rhetoric is the envisioned alternative: the theme encapsulated in the title of his work. McCloskey defines rhetoric as "the art of speaking."(29) He also quotes Wayne Booth's definition that rhetoric is ""the art of probing what men believe they ought to believe, rather than proving what is
true according to abstract methods". "(29) The "standards" for rhetorical judgments come from the communications of those engaged in a "conversation," even if such conversations take place over many years in classrooms, laboratories, seminars, texts, journals, etc. Such standards result from "the humanistic tradition in Western civilization." In a rhetorical approach, the humanities are being used to understand the scientific tradition of the West.

Most of Rhetoric is given to various analyses of the role that rhetoric plays in economic science. McCloskey critically reviews the rhetoric of both mathematical economics and significant texts in econometrics. Both fields rely on many metaphors. Perhaps most importantly, McCloskey identifies one of the central notions of mathematical economics and econometrics as being metaphorical and hence rhetorical in nature—the model. Models play a key role in contemporary economics, whether they are single equation models or more complex in nature. If they are inherently metaphorical in nature, then it is obvious that economics is rhetorical in nature. Behind most economic models is one of two types of analogies, a mechanical or a biological analogy. Evidently, many economists have become so familiar with economic models that they take them quite literally rather than metaphorically. Apparently, the biological or mechanistic dimensions of economic models largely are unrecognized in the profession generally. McCloskey believes that economics is metaphorically saturated.

Besides making a case for the rhetorical nature of mathematical economics and econometrics, McCloskey considers two highly influential contributions that changed the way two fields of economics were practiced. McCloskey argues that John Muth's article creating the notion of rational expectations, and Robert Fogel's research on the economic impact of railroads on American economic growth in the nineteenth century, were highly argumentative and rhetorical in nature. McCloskey's point is that both contributions were more elaborate and much more carefully argued than the standards required by any modernist economic methodology. The influence of both pieces of research consists in the elaborate arguments created to convince other economists of the validity of rational expectations or the relative insignificance of railroads in the process of American economic growth. Empirical evidence plays an important role, but it is not the most important or decisive dimension to each contribution. Path-breaking works in economics are much more elaborately argued than any modernist methodology would require.

Besides rational expectations, American economic history, and economic models, McCloskey considers other recent contributions to economic science, appraising their rhetorical nature. Topics or works with an important rhetorical dimension are: 1) "proofs" of the law of demand as being negatively sloped; 2) Paul Samuelson's Foundations of Economic Analysis; 3) Gary Becker's human capital theory; 4) Robert Solow's essay on the aggregate production function; 5) the literature in econometrics on the significance of statistical inference; and 6) the empirical literature on the degree of market integration and purchasing power parity of countries involved in world trade.

There are several critiques that could be raised by McCloskey's Rhetoric. One critique deals with McCloskey's rhetoric in support of Rhetoric. There are places in the work where he uses neoclassical metaphors to convince his audience of the acceptability of his approach. To illustrate, at one point he paraphrases one of the most famous definitions of economics, implying that rhetoric is an economics of language: "Rhetoric is an economics of language, the study of how scarce means are allocated to the insatiable desires of people to be heard." (xvii) In my view, remarks such as these detract from Rhetoric because they narrow the scope of his work. Obviously the structure of McCloskey's paraphrase of the Robbinsian definition appeals to neoclassicists. But I believe Rhetoric has a much broader message and should be addressed to all economists, and not just neoclassicists.

A second critique concerns the consistency with which McCloskey rejects modernism. Clearly at the methodological level all varieties of modernism are deemed intellectually unacceptable, and even impossible to implement in practice. However, at the theoretical level modernism is not rejected. In neoclassical theory, modernist notions permeate consumer and producer theory. The conception of the transactor is that of a watered-down modernist—both consumers and producers are conceived as imperfect empiricists. Yet McCloskey completely ignores the implications of his Rhetoric for revising economic theory. Should not a rhetoric of economics also be a rhetoric of economics among ordinary transactors, and not just professional economists?

The preceding comments of McCloskey presuppose a certain acceptance of the post-modernist thinking in rhetoric, philosophy, history, philosophy of science and similar pursuits. The remarks critical of McCloskey also were developed in post-modernist terms. McCloskey may not always be as much of a post-modernist as he appears however. Part of this is due to the fact that rhetoric is conceived as an economics of language, and also that modernist notions seem to permeate neoclassical economics. Modernist notions in economic theory seem acceptable to McCloskey, while modernist notions guiding the activities of professional scientists are unacceptable.

There is another level of remarks that one could make. Post-modernist ideas may not be acceptable to everyone.
Post-modernism implies that relativism is ultimately absolute; that truth is unknowable. McCloskey does maintain that standards of objectivity can be created; but there will never be one set of universally recognized standards of objectivity. McCloskey’s Rhetoric challenges those who hold to a traditional Western philosophical framework conceived in terms of absolutes, and particularly classical theists. By a classical theist I mean someone who believes that there is a divine entity who is the source of all truth and value in the world and the creator of the universe. One of Karl Popper’s students, William Bartley (1964), has written a work claiming that much that passes as Protestant theology is essentially modernist.12 Hans Kung (1980) similarly raises the issues for Catholic theology.3

Can one hold post-modernist notions of science and culture and also be a classical theist? Perhaps, but to me there seem to be some fundamental conflicts at a very deep level that require rethinking views of God, nature, man, knowledge, and the world. Not only will McCloskey’s Rhetoric challenge those economists who hold a modernist interpretation of economic science, but also it will challenge those who hold conventional religious beliefs.4

In some respects post-modernist notions of science pose more of a challenge to orthodox theological notions, than does modernism. Modernism often leads to an intellectual dualism in which science and fundamental belief systems are kept conceptually distinct; science and religion are two differing domains of human action. Thus modernist notions of science and religion can be held simultaneously. However with the decline of modernism, post-modernist ideas present a challenge both to conventional notions of science and to traditional religious beliefs in Western Culture. In the post-modernist viewpoint, the modernist position that science is value-free cannot be fully maintained, either from a scientific or religious perspective.

More than ever we need to talk about the values we implicitly bring to our professional scientific activities. This is a role for rhetoric in economics that ought to be encouraged. Joseph Schumpeter used to talk about the “pre-analytic vision” of economics. These pre-analytic visions have had an enormous impact on the development of modern economic science. Whether the source of these visions is a conventional religious viewpoint, an unorthodox theological position or some more secular philosophy, or philosophy of science, our attention needs to be turned to these implicit value systems and the role that they play, both in the development of economic science and the activities of ordinary transactors.

Ultimately McCloskey’s Rhetoric directs our attention to an awareness of basic value systems that significantly affect the attitudes and behavior of professional economists. This is what contemporary economists need to talk about and why Rhetoric has attracted so much attention by economists.

References


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1 This is my paraphrase of remarks by W.W. Bartley (1964, p. 220).
2 Bartley uses the term justificationist rather than modernist. I understand these terms to be quite similar.
3 W. Pannenberg (1976) also has much to say on this subject in his Theology & the Philosophy of Science.
4 R.F. Baum (1974) raised the same issues with respect to the contributions of Karl Popper, Thomas Kuhn, and Imre Lakatos. He maintains that their ideas lead to a "crisis of the modern intellect."