# Values and Economic Theory

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The annotated bibliography approach is by design. The author is fully capable of guiding the reader and has made relevant contributions to the literature. Moreover, in her "ex post" she asks a number of critical questions about economists' treatment of international financial issues, which raises serious doubts about the relevance of previous scholarship; it seemed strange to ask these questions only in the final pages.

These complaints notwithstanding, the book is a skillful survey, and is highly recommended to graduate students or anyone else thinking of doing research in the field.

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**Values and Economic Theory.** By S. A. Drakopoulos. Aldershot: Avebury, 1991. ix, 235 pp. $64.95.

Drakopoulos's goal in *Values and Economic Theory* is to challenge the notion, through a sustained discussion of the hedonistic conceptual foundations of the history of orthodox economics, that contemporary economics adheres to its professed ideal of being a positive, value-free science. In both its psychological and philosophical commitments, neoclassical microeconomic theory, especially in its behavioral analysis of consumers, is strongly influenced by its once explicit, now more implicit, attachment to that value system, which makes the selfish maximization of pleasure the main motive of economic agents. Historians of economic thought, Drakopoulos believes, have not given this motive sufficient attention. Orthodox economists still subscribe to the idea that agents utility maximize, and yet claim their ideal to be a positive, value-free science. *Values and Economic Theory* thus retells the history of economic thought, from Bentham to the present, through the lens of mainstream theory's attachment to hedonism and its supporting doctrines.

An introductory chapter outlines the work; the second chapter discusses the principal characteristics of hedonism as they have come down to us from the Greeks. The essence of the approach consists of the following ideas: (1) that human life is ruled by two opposed motives, pleasure and pain; (2) that the maximization of pleasure and minimization of pain is the highest good and aim of life; (3) that hedonism is generally associated with egoism; and (4) that discovering a means of measuring pleasure and pain to assess the desirability of various actions constitutes a fundamental goal of behavioral analysis.

Since the eighteenth century, economists have first openly, then hesitantly, supported these ideas in one form or another. Chapters 3 and 4 trace the views of the first hedonists in economics. Bentham, Senior, Mill, and Cairnes introduced and refined hedonistic views in economics, and developed the first clear understanding of the concept of economic man as a hypothetical construction. Two generations of marginalists, first Gossen, Jevons, Walras, and Menger, then Marshall and

Edgeworth, added formalist methodology to the hedonist approach. With the rise of positivism as the dominant scientific philosophy at the end of the nineteenth century, however, later economists attempted to downplay the hedonistic orientation of economics (chapter 5). Wicksteed, Pareto, and Fisher each sought to model economics on the physical sciences, and hoped to purify the subject of its subjective and metaphysical assumptions. Yet despite their proclamations and reinterpretations of the marginal utility theory of their predecessors, the hedonistic influence remained central to their work, sometimes explicitly so, sometimes more implicitly.

This combination of denial and hedonistic theorizing continued into the twentieth century with the emergence of ordinalism and a purportedly value-neutral theory of choice (chapter 6). Robbins, under the influence of the logical positivists and the earlier positivism of Wicksteed, attacked interpersonal utility comparisons as value-laden, but continued to take the end of economic activity to be the maximization of satisfaction. Hicks substituted preferences for utility and called for "an economics free of utilitarian assumptions," but still associated higher indifference curves with higher levels of satisfaction. Samuelson demonstrated one could explain choice through revealed preference, and then employed the analysis to derive indifference curves.

Microeconomic theory, since, has ironically congratulated itself upon being a "value-free utility analysis" (chapter 7). For many, this has meant restricting one's treatment of agent behavior to discussion of the assumption of rationality. Yet that the rational consumer is really all about the maximization of utility becomes especially evident when one considers alternative behavioral approaches, such as those emphasizing habitual or lexicographic orderings of preferences, which do not reduce different wants or needs to utility as a single common denominator. Drakopoulos's argument here, which is not as clear as it should be, is that hedonism involves a monistic view of agent motivation describable on a single pleasure-pain continuum. Real world agents possess a variety of motivations that are irreducible to one another, and this forestalls treating their behavior as optimizing (though they would presumably still try to "do as best as they could" whatever their method of choice). The evidence from psychological theory, Drakopoulos suggests, lends better support to these alternative conceptions of behavior. Thus, it seems orthodox economists are unwilling to consider the relevance of this literature to economics, because they are wedded to a monistic hedonism serviceable in a market analysis that appears to lend scientific credibility to their field. Textbook presentations that offer a utility maximization "simplification" of the theory for students seem to confirm this judgment.

Of course, there have been nonhedonistic approaches in economics. Drakopoulos surveys these in chapter 8, including treatments of Smith, Marx, the historical school, institutionalist economics, J. M. Keynes, and a handful of more contemporary figures. In his view, however, the impact of dissidents such as these has been to encourage both a stronger attachment and profession of value neutrality on the part of orthodox economists, and an increased reluctance to give serious thought to the meaning of utility maximization.

Final remarks on the role of values in economic theory are included in chapter 9. Drakopoulos briefly summarizes the different views that have been adopted on the matter, ranging from Friedman's "irrelevance of assumptions," to Blaug's "no absolute separation between value-free and normative theory," to Hutchison's "value judgments occur in all sciences," to Myrdal's "impossibility of a value-free economics." The author's own view is closest to those of Hutchison and Blaug, though he offers little argument to support this conclusion. In his chapter 10 summary, Drakopoulos does suggest that orthodox economics might be seen as a "hedonistic paradigm" in the Kuhnian sense, or as a "hedonistic research program" in the Lakatosian sense.

Perhaps it is asking too much for a final analytical discussion of the topic identified by the book's title. Clearly its chief goal was to make the long dependence of orthodox theory on hedonistic ideas apparent and indisputable (the book developed from postgraduate and doctoral work at the University of Stirling). Drakopoulos has succeeded in this task, and it is not an unimportant achievement to have demonstrated conscientiously and at length that contemporary orthodox economics is thoroughly confused about its purported status as value-free science.

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**Political Economy, Ideology, and the Impact of Economics on the Third World.** By Derrick K. Gondwe. New York: Praeger, 1992. 192 pp. $47.95.

Professor Gondwe (Gettysburg College) longs for a political economy that has never existed, except perhaps among a minority of intellectuals with relatively limited influence, or as dominated fragments of the body of thought of greater luminaries, from Smith to Marshall. The plea for a transformation of economics that might diminish the weight of marginalist and ostensibly value-free neoclassical thinking in favor of a more people-oriented, value-driven philosophy is hardly original. Nor is the case convincingly made for the need for such an evolution (or revolution) in economic thinking and analysis for those not already so persuaded.

Still, this book is not without merit. Undergraduates in history of thought, political economy, and, conceivably, principles courses, as well as many overwhelmed and sometimes disillusioned graduate students, will find insights in Gondwe's comparative analysis of the stylized conservative, liberal, and radical theories that constitute the theoretical core of the volume.

In the introductory chapter, it is suggested that neoclassical economists have forgotten the "ideological foundations" of the study of economies, and that they "behave as if the hegemony of the market system has been forever established" (6), leading them to ignore "the balance between individual rights and social obligations and responsibilities, as well as the role of culture and traditions in human behavior" (8–9). Chapters 2 and 3 review the shift from the political economic, especially distribution, concerns of classical economics, and the eventual dominance of marginalist thinking among economists. Differences and similarities in