A New School of Economic Theorists: The 'New Classical Economists'

ECONOMIC THEORISTS TODAY, in the United States, at least, are divided into several camps. The neoclassical school includes members of other groups. This is also true of the monetarists. Others are Keynesians, neo-Keynesians and post-Keynesians. And then there is the group some call new classical economists, developers of the rational expectations hypothesis who like to see themselves as having produced a "rational expectations revolution."

To help those of us who cannot identify the players without a scorecard, Arjo Klamer, assistant professor of economics at Wellesley College, has interviewed eleven leading economists whom he identifies as advocates or opponents of the "new classical economics" and published the result in *Conversations with Economists: New Classical Economists and Their Opponents Speak Out on the Current Controversy in Macroeconomics.*[1] This work is invaluable to anyone interested in understanding the debates among contemporary leaders in economic thought.

Dr. Klamer's work's assessment can be left to formal studies. Several aspects of it that may have to be overlooked to save space for more important matters are worth noting here. One is struck by how much of contemporary economic thought is prolegomena to science, not science itself. For example, if one makes the assumption that there is a "free" market or a perfect market with respect to competitiveness, perfect information and complete rationality on the part of producers, distributors, and consumers, etc., then one can, by mathematical analysis, specify, among other things, certain relationships between prices and output. The iconoclast will ask what is the use of such an exercise since the assumptions can be proved false. But it is conceivable that such a market could be perfected, and that such consumers could be developed—indeed, it is a goal of progressive social development to do so. Then the exercise would contribute to understanding—it would be a scientific contribution. Until then, however, it is prolegomena to science.

Still another is how often contemporary theorists ignore the problem of monopoly, which some of us think is the biggest problem of our time. For example, Robert E. Lucas Jr.: "Then you exclude monopolistic behavior. . . ." "I don't think that that is crucial to business cycles." He went on to comment about the Great Depression. "There is nothing about wage rigidity. Nominal wages and prices came down by half between 1929 and 1933." Another of the commentators made the same point. But some of us think that one of the causes of the Great Depression was "sticky" prices—prices and wages which, because they were exacted by functionaries with monopoly power, did not come down when competitive prices did and which only changed grudgingly when paralysis threatened.

And another aspect was striking, how many of the econometricians thought of mathematics as a "tool," as a way of "formalizing" beliefs, of writing down, perhaps with more precision, what one believed. Essentially, though, mathematics is a way of thinking, one of the ways of thinking along with traditional logic, modern logic (which has a certain overlap with mathematical thinking), philosophical inquiry, humanistic thinking and intuitive and unconscious thinking.[2] Only those who believe with Paul Samuelson that mathematics is *the* language of science ignore the total cognitive process.

More and more, however, economists are coming to see that the interdisciplinary approach to the analysis of societal problems is an essential one, even though it does not rule out or even conflict with the contribution of disciplinary approaches. An instance: Karl Brunner: "I do not believe in a sort of 'shoe box approach' according to which you distribute problems over the different disciplines, such as political science, economics, and sociology. That does not make much sense. These divisions are essentially historical products. The classification does not refer to alternative disciplines. It can be usefully understood as referring to different ranges of problems—different subject matters—approachable with the same basic social analysis evolved in the context of economics" (pp. 183-84).

And economists today, unlike those of the late 19th century, are more openminded and willing to question their own belief systems. Graduate students and post-doctoral fellows, particularly, should be urged to read the comments of Robert M. Solow, Alan S. Blinder, Karl Brunner and David M. Gordon.[3]

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Notes

1. Arjo Klamer, *Conversations with Economists* (81 Adams Drive, Totowa, N.J. 07512: Rowman & Allanheld, 1983), 277 pp., glossary of names, selected biblio., no index, $9.95 paper, $18.95 cloth. Published in Great Britain under the title *The New Classical Economics: Arguments For and Against.* The author's Ph.D. dissertation at Duke in 1981 was entitled "New Classical Discourse: A Methodological Examination of Rational Expectations Economics. The author refers (p. 254) to an article ("Klamer, 1979") which is not listed in his bibliography and to a ms., presumably unpublished, "The Art of Persuasion in Economics," which apparently challenges the views of the popular philosophers of science, Sir Karl Popper and Imre Lakatos. Klamer's final chapter, "An Interpretation of the Conversations," whets the appetite for these works.

2. See Susanne K. Langer, *Mind: An Essay on Human Feeling* (Baltimore and London: Johns Hopkins Univ. Press, 2 vols. (1967 and 1972), 1975 and 1974).