

## BOOK REVIEW

***The dismal science: how thinking like an economist undermines community* by Stephen A. Marglin and *The soulful science: what economists really do and why it matters* by Diane Coyle**

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*Two influential economists review the role of economics in contemporary society from very different viewpoints. While Harvard economist, Stephen Marglin, laments that economics vastly underrates the power and purpose of community in human affairs and human well-being, Diane Coyle, UK economist and journalist, insists that economics reflects and promotes the ‘soul’ of communities, improving policy and making people’s lives better.*

Stephen Marglin and Diane Coyle are both Harvard-trained economists. In fact, Marglin taught Coyle as a graduate student in the early 1980s. While she thought he was a ‘perfectly good teacher’, she voted against him for the Best Teacher Award in favour of Olivier Blanchard (Coyle, pp. 230–231). Blanchard was teaching at the frontier of the discipline and he was a modeller — the sine qua non of the economist as economist, according to Coyle (p. 237). On this criterion, the late John Kenneth Galbraith was no economist, despite his standing in popular opinion. Had the award been for Best Economist rather than Best Teacher, it is doubtful that Marglin would have ranked any higher in Coyle’s estimation.

If anything, the years have further distanced the student from her former teacher. Marglin devotes over 300 pages to denouncing the very methods that Coyle extols. While neither acknowledges the other’s work directly, Marglin responds rhetorically to the line of criticism developed in Coyle’s spirited defence of economics. ‘I will be accused of setting up a straw man,’ he writes, ‘an “economics” so drastically simplified and out of date that it caricatures the breadth and depth of the intellectual enterprise of contemporary economics’. Indeed, this is precisely Coyle’s contention: ‘The popular unpopularity of economics rests on perceptions which are twenty or thirty years out of date and were always a bit of a caricature anyway’. Perhaps Professor Marglin’s subject has simply passed him by?

Not so fast. Marglin judges the discipline, as he might a book, by



its cover as well as its contents: ‘... the enterprise of economics is better characterized by the content of elementary texts than by what goes on at the frontiers ...’ and ‘... even at the frontiers, there is little questioning of the foundational assumptions of economics ...’. The one exception he allows — behavioural economics — turns out on closer inspection to be more orthodox than one might suppose: ‘... behavioural economists seem almost desperate to fit their subversive conclusions into a utility-maximising framework of calculation ... even while recognising nonrational elements in the calculations.’ At least on this issue, Coyle appears to agree. While hailing advances in behavioural and experimental economics as among the many new directions taken by



economics over the past two decades, she too is sceptical of their mooted iconoclasm: ‘What these lessons from psychology, laboratory experiments and brain science do not do is overturn all of conventional economics. On the contrary ...there are many circumstances ...in which the applicability of rational maximizing behaviour in markets is extended’.

It is precisely from this point onwards that the two authors talk past each other. Marglin is too good an economist — and not a bad modeller in his own way — to be ignorant of the advances in modern economics, let alone dismiss their analytical power. But for him the very strength of the rational utility-maximising calculus blinds economics to wholly different ways of understanding human nature.

In adopting a particularly extreme form of individualism, in abstracting knowledge from context, in limiting community to the nation, and in positing boundless consumption as the goal in life, economics offers us no way of thinking about the human relationships that are at the heart and soul of community other than as instrumental to the individual pursuit of happiness. Economics takes very much to heart

the famous dictum of nineteenth-century physicist Lord Kelvin that we know only what we can measure. Indeed, economics takes the dictum a step further, from epistemology to ontology: what we can't measure — entities like community — doesn't exist.

There are two levels at which Marglin sees economics undermining community. The first he owes to his Marxist leanings and reprises a familiar tune, no less appealing for its familiarity: 'Markets based on voluntary, instrumental, opportunistic relationships, are diametrically opposed to the long-term commitments and obligations that characterize community. By promoting market relationships, economics undermines reciprocity, altruism, and mutual obligation, and therewith the necessity of community'. Market relationships are no substitute for the 'ties that bind' precisely because they do not bind.

But, on the contrary, won't the unaided market deliver precisely the quantum of community that people desire through the normal market imperative to satisfy wants of all shapes and descriptions — in this case, the demand for human relationships in community?



Marglin's first answer draws on standard economics — the 'free rider' problem derails community-minded behaviour in ways both understood and acknowledged by mainstream economists. The second comes to Marglin's key point: actually thinking like an economist precludes a proper understanding of the relationships of necessity and affinity that define the essence of community. In the final analysis, putting the interests of one's community ahead of one's personal interest cannot be understood within the economist's standard framework of individual utility maximisation. Simply doing it to satisfy a personal preference for community in one's utility function doesn't cut the mustard.

Marglin relates the touching story of the Amish family who refused government-sponsored medical aid to their seriously immune-deficient newborn on the grounds that their community generally refused such aid on principle and, in any case, would be overburdened by the ongoing care and intervention required to sustain the child's life. They let their son die. To Marglin, '[it] seems infinitely more likely that a sense of identification with, and obligation to, the community, not a

utility calculus, drove the couple's fateful decision not to treat their baby'. For all the modern advances in economic theory, the rational, maximising calculus still snaps before it stretches far enough to encompass such decision making. An inability to see this is the peculiar blindness to community of which Marglin writes so eloquently.

Coyle spends the greater part of her book outlining in clear and digestible prose the major advances in economics over the past two decades. She sets great store by the advent of 'cheap computing power, the development of new data sets, and innovations in econometrics and in analytical and computational techniques' which have had a 'very profound influence' on economics. Her frustration with critics of economics, both from outside and within the discipline, is that they seem blissfully unaware of the advances that have been made in recent times. They are



attacking a 'monolithic old enemy [that] has ceased to exist'. Some, she suspects, are critics not just out of ignorance but disingenuousness, pursuing hidden agendas 'related to their personal ideological beliefs'.

In the end, she locates the crux of the problem in a bias against science and the rational method of inquiry. 'I believe that many of the critics of economics, especially those working in the humanities, simply do not accept that it is appropriate to study human culture and society with this methodology, that is, using models, at all'. Is Stephen Marglin in this camp too? He is not anti-science or anti-theory but he is critical of modellers who '...become so wrapped up in [their] models, indeed, enchanted by them, that [they] lose sight of their purpose ... Models are means to apprehending theories, not ends in themselves'.

Marglin distinguishes between 'algorithmic knowledge' and 'experiential knowledge' and contends that good science blends the two. 'Thinking like an economist' glorifies algorithmic knowledge and marginalises experiential knowledge. This not only weakens economists' ability to understand the world — 'Economists in effect confront the task of explaining economic phenomena with one hand tied behind our collective back' — it is the root cause of their blindness to community. 'The denial of experiential knowledge is closely tied to the denial of community'. So Marglin's objections do meet Coyle's test of being essentially anti-modelling, but perhaps with better reason than dreamt of in Diane Coyle's philosophy.

Marglin sees economics as 'the dismal science' because it vastly underrates the power and purpose of community in human affairs and human well-being. Yet it is Coyle

who insists that economics is 'the soulful science' without including one word about community. Not until her final chapter does she address the question implicit in her title — why does economics have soul? Her answer is that economics works and people are better off as a result: '... economic research of the past decade or two has given policy-makers a robust analysis of and evidence about what does work, and has thereby improved policy and made people's lives better'. While this is undoubtedly true, the statement confirms the very blindness to non-material dimensions of human experience that Marglin's book laments.

Diane Coyle has written a masterly and accessible update on how far economics has travelled in the past 20 years. But her insistence on the success of economics in delivering material prosperity as evidence of its 'soulfulness' probably confirms the very opposite in the minds of critics she hopes to assuage. Her point that too many educated people (including many economists) know too little about recent advances in economics is well taken. But even she concedes that '...this era of discovery does [not] add up to a "new paradigm" in economics... the essential elements of economic methodology [remain] unchanged...' For many critics, Marglin included, the methodology is the problem. They yearn for an economics, not that shuns science, but that widens the scope of its vision to admit a richer, fuller conception of human relationships and sensibilities. ■

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