The Economic and Labour Relations Review Vol. 23 No. 2, pp. 123–134

Review Article

Valeria Mosini (2012)
Reassessing the Paradigm of Economics: Bringing Positive Economics Back into the Normative Framework
Routledge, London and New York.
pp. 164
Hardback: ISBN 978-0-415-57511-9
Ebook: ISBN 978-0-203-80684-5 RRP: AUD 115

Reassessing the Paradigm of Economics is primarily focused on Milton Friedman's methodological pronouncements and practices. Valeria Mosini seeks to show that Friedman's methodology, and particularly his claim that economics can be a purely 'positive' science, serves a highly partisan policy agenda — namely, 'the neoliberal paradigm'. Mosini also argues that Friedman's methodology deserves special attention today because his claims of objectivity for neoliberal policies are partly responsible for the financial crisis of 2008. *Reassessing the Paradigm* thus extends the boundaries of methodological analysis beyond its usually abstract and sometimes arcane terrain. Mosini shows that methodological reflection is important not just because economics should strive to be scientifically objective. Methodological reflection is important because pronouncements on 'correct' method by economists can facilitate specific ideological agendas that powerfully influence economic policy and thereby affect millions of lives.

In general terms, Mosini shows that if one doesn't come to grips with Friedman's methodological claims, one cannot fully come to grips with the neoliberal paradigm they support. Although this insight has probably been intuited by most economists, heterodox and mainstream alike, it has not been explicitly argued for at great length. Although I agree with Mosini's goal and her general conclusions, I think some of the arguments deployed to reach those conclusions are contestable. In the remainder of this review, I will outline Mosini's arguments chapter by chapter and offer some critical comments along the way. The criticisms are not fatal, but should at least give one pause.

The book comprises six chapters (plus a lengthy introduction). The first four chapters focus on Friedman's methodological claims and the effect they have had on the general contours of academic economics. In the light of these chapters, the last two chapters attend to aspects of the neoliberal paradigm and Friedman's role in its construction and defense.

Chapter One examines the 'logical consistency' and 'validity' of the core of neoliberalism as exhibited in Friedman's *Essays in Positive Economics*. Mosini boils *Essays*' most famous piece, 'The Methodology of Positive Economics' (hereafter F53) down to four propositions: (1) The only objective test of a positive theory's worth is its predictive success; (2) The realisticness of assumptions is not a test of a theory's worth because all theories inevitably contain unrealistic assumptions; (3) Evidence can only disprove a theory, never prove it to be true. Because of the 'contradiction' between (1) and (3), a final element is required: (4)

'somewhat arbitrary' additional criteria (simplicity and fruitfulness) are required in order to choose between rival theories. Mosini argues that Friedman's economic writings in *Essays* are logically inconsistent with F53's doctrines, chiefly because his theories are 'hypothetical' (meaning solely counterfactual) and his predictions so vague as to be unfalsifiable. She also notes that Friedman's positive analyses usually entail substantial institutional changes which fall within the purview of normative, not positive economics. With respect to 'internal validity', Mosini finds that Friedman's arguments for neoliberal policies are informal and are not rigorously empirically established (being merely plausible, not probable). Further, F53 is 'externally invalid' because it is incompatible with the methodological positions of contemporaneous scientists and philosophers (Henry Margenau, Percy Bridgeman and Stephen Toulmin).

There are, I believe, problems with Mosini's approach to F53. One problem relates to her attempt to avoid getting tangled up in debates over the 'correct' interpretation of F53 (see pp. 78–79). She claims that one can separate 'philosophical' interpretations (positivism, instrumentalism, Popperianism, etc.) from questions of 'method' (inferential methods; the relation of evidence to theory; methods of theory discovery; criteria of theory assessment).

This separability claim, I suggest, is false. Questions of 'method' cannot be easily separated from 'philosophical' (particularly epistemological) interpretation. For example, when it comes to inferences, empiricism favours inductive inferences; rationalism favours deductive inferences; Kantianism allows transcendental deductions; and pragmatism takes abductive inferences to be central to scientific investigation. When it comes to theory invention, empiricists hold that theories must be inductively constructed from observations; rationalists say theories must be built on self-evidently true axioms; and instrumentalists say anything goes in the context of discovery. In short, what counts as a correct scientific method will depend on the philosophical school to which one adheres. And so the philosophical school one supposes F53 exemplifies will affect one's interpretation of the text's claims about method. For example, what inference, according to F53, can be made from a successful theoretical prediction? If F53 is realist (Mäki 2009), the theory may provide a good causal explanation of a phenomenon. If F53 is instrumentalist (Boland 1979) however, the theory would merely be a useful engine of prediction — it would say nothing about unseen causal mechanisms. For this reason Mosini cannot really avoid engaging with the question of the correct interpretation of F53. However, since Mosini judges all the available interpretations of F53 to be hopelessly inadequate (pp. 80–88), the reader must resort to Mosini's own brief interpretation (pp. 21–22) which, ironically, could be read as cohering well with her own version of the correct scientific method (more on this anon).

Chapter Two explores Friedman's subordination of normative to positive economics. Mosini asserts that F53 makes two related claims: (1) positive and normative economics are distinct, and (2) positive analysis is independent of normative concerns, but normative concerns are dependent on positive analysis. Mosini characterises (2) as the assumption that positive economics has 'primacy over' normative economics and that this has 'shaped the scope of the discipline eliminating from it ethical considerations as traditionally understood and replacing them with a "market ethics"' (p. 37). Interestingly, Mosini goes on to argue that (2) is an innovation unique to F53 — that the pre-1953 view was, by and large, that policy prescriptions cannot be read off positive findings because prescriptions require explicit ethical reflection that directs positive analysis. She seeks to demonstrate that this was the 'traditional' position by recounting the views of a wide range of thinkers (J. M. Keynes, J. S. Mill, Sidgwick, Dunbar, Pigou, Edgeworth, Weber, Schumpeter, Myrdal, Marshall and Robbins). Chapter Three elaborates on Chapter Two by exploring in some detail Léon Walras' conception of the relationship between positive and normative economics. Drawing extensively on the work of William Jaffé, Mosini argues that the 'real' Walras (as opposed to the Walras 'invented' by J. R. Hicks and others) inverts Friedman's position: positive analysis should be subservient to normative considerations about both ethical foundations and just institutional arrangements.

Mosini's claim that Friedman innovatively reconstructed the division of economics into positive and normative concerns such that the former has 'primacy over' (p. 37) and 'should dictate' the latter (p. 43) is, I suggest, a misreading of F53. In F53 it is fairly clear that factual knowledge (positive economics) is necessary *but not sufficient* to arrive at policy recommendations. Value-premises are also required. Without value-premises, one cannot infer what ought to be done. Further, without consensus on value-premises, there cannot be consensus over policy: 'Two individuals may agree on the consequences [i.e. the predictions] of a particular piece of legislation. One may regard them as desirable on balance and so favour the legislation; the other, as undesirable and so oppose the legislation' (Friedman 1953: 5). The reason — or at least the official reason — Friedman does not give much attention to ethical concerns is that he believed that 'currently in the Western world, and especially in the United States, differences about economic policy among disinterested citizens derive predominantly from different predictions about the economic consequences of taking action … rather than from fundamental differences in basic values' (Friedman 1953: 5).[1] Thus, Friedman did not 'subordinate' normative concerns to positive ones. He only said that, generally speaking, value-premises are not in dispute in the Western world, but fact-premises often are; so positive economics is likely to play a determinate role in policy disputes.

This is not to say that Friedman is off the hook. One could argue that Friedman's so-called 'basic values' of 'the Western world' are implicitly neoliberal values,[2] and that Friedman's claim that there is 'consensus' among 'disinterested' economists on these values is a rhetorical attempt to slip neoliberal objectives into the presuppositions of normative economic thought without proper scrutiny. In short, it is arguable that F53 does not obliterate value-premises from economics in general, or make normative considerations subservient to positive ones, but instead *entrenches* neoliberal value-premises into economic considerations such that they partly *dictate* positive economic work: if ownership of private property is taken to be a basic inalienable moral right, then the investigation of, for example, the necessary conditions of a centrally planned economy would be an idle pursuit unworthy of publication in a prestigious economic journal (such as *The Journal of Political Economy*).

Chapter Four deals first with exegetical concerns over F53. Mosini notes that there is substantial debate over the interpretation of F53: is it positivist, instrumentalist, pragmatist, Popperian, or Marshallian in character? She finds that none of the interpretations perfectly characterise F53, and in any case sees this debate as being 'tangential' to the more important matter of demarcating science from non-science. For Mosini, demarcation is determined by the appropriate methods of 'inference-making (deductive/inductive) … , [the] interplay between theories and evidence, the criteria for assessing the reliability of evidence, … and the criteria for formulating and accepting theories' (p. 79). Mosini then sets out her account of 'the method used that confers scientific status to a given body of knowledge'[3] (p. 88). For Mosini, a scientific theory consists of abstracted, idealised and descriptive assumptions that are used to construct an explanatory model. (She notes there are no codified rules for theory invention, but argues that inductive generalisations and established background knowledge interpreted in new ways usually form the basis of theory development.) The model is used to generate a hypothesis that entails observationally falsifiable non-temporal predictions with specified boundary conditions. The hypothesis is tested and evaluated by the success/failure of its predictive claims. If the predictions are successful, then the theory is 'validated' and counts as having explanatory value; if not, then the theory is either modified or abandoned.

Mosini finds Friedman's work wanting when compared to her account of scientific method. Focusing on his advocacy of monetarism, Mosini notes that although Friedman did make predictions, 'the evidence provided was not conclusive enough to support Friedman's clear-cut policy recommendations' (p. 92). Mosini attributes this to an 'insufficient interplay between evidence and theory' (p. 92) — or in other words, Friedman stuck to his policy guns irrespective of the evidence. The chapter concludes with an example of real scientific practice taken from quantum mechanical chemistry. Mosini's example reveals that the assumptions of scientific theories are continually modified in the face of contrary evidence, that theoretical debate is resolved by one theory making very precise and accurate quantitative predictions, and that this process can take an exceedingly long time (40 years): 'There is a wide gulf between the slow and meticulous process … of the natural sciences … and the haste with which Friedman urged the implementation of the conclusions of theories based on unrealistic assumptions … often grounded on no more than (deceptive) commonsense, which gave rise to untested (often untestable) predictions' (p. 96).

There is indeed a stark contrast between the practices of the physical sciences and Friedman's confident and cavalier prescriptions. But this does not necessarily translate into a critique of Friedman's *official methodology* (i.e. F53). Indeed, F53 can be read as cohering well with Mosini's ideal scientific method. For example, for Mosini, a scientific model is composed of abstracted, idealised and descriptive assumptions that explain some phenomenon of interest. For F53, a scientific theory similarly 'abstracts the common and crucial elements from the mass of complex and detailed circumstances surrounding the phenomena to be explained'

(Friedman 1953: 14) and economists must posit an 'abstract model simpler than the "real world" and containing only the forces that the hypothesis asserts to be important' (Friedman 1953: 24). With respect to theory invention, Mosini notes there are no codified rules for theory discovery, but inductive generalisations and new insights into existing knowledge are crucial. F53 concurs: 'The construction of hypotheses is a creative act of inspiration, intuition, invention; its essence is the vision of something new in familiar material. The process must be discussed in psychological, not logical, categories' (Friedman 1953: 43); nonetheless, 'Full and comprehensive evidence on the phenomena to be generalized or "explained" by a hypothesis, besides its obvious value in suggesting new hypotheses, is needed to assure that a hypothesis explains what it sets out to explain' (Friedman 1953: 12). With respect to theory testing, Mosini stipulates that scientific hypotheses must make falsifiable, non-temporal predictions. F53 is also an advocate of falsifiability: a theory 'must have implications susceptible to empirical contradiction' (Friedman 1953: 38). And its falsifiable predictions need not be temporal: 'To avoid confusion, it should perhaps be noted explicitly that the 'predictions' … need not be forecasts of future events; they may be about phenomena that have occurred but observations on which have not yet been made' (Friedman 1953: 9). In order for genuine testing to occur, Mosini holds that unambiguous correspondence rules between theoretical terms and empirical meaning must be stipulated. What does F53 have to say about this? A hypothesis must have a 'set of rules defining the class of phenomena for which the "model" can be taken to be an adequate representation of the "real world" and specifying the correspondence between the variables or entities in the model and observable phenomena' (Friedman 1953: 24). As for the interplay between theory and evidence, Mosini holds that if a theory's predictions are successful then it is 'validated'; if not, then the theory must be either modified or abandoned. F53 more simply holds that a 'hypothesis is rejected if its predictions are contradicted ("frequently" or more often than predictions from an alternative hypothesis); it is accepted if its predictions are not contradicted' (Friedman 1953: 9).

This is not just an exegetical criticism. It speaks against Mosini's claim that F53 provides support to neoliberalism — for example, one may criticise Friedman's unfalsifiable predictions in his *Newsweek* and *Business Week* articles (Brady 1986) by appealing to Popperian lines in F53, such as the following: one hypothesis is superior to another if 'it is part of a more general theory that applies to a wider variety of phenomena, … has more implications capable of being contradicted, and has failed to be contradicted under a wider variety of circumstances' (Friedman 1953: 20; cf. Friedman 1953: 9, 13–14, 22, 38). Should one then conclude that F53 lends scientific legitimacy to hasty neoliberal prescriptions, or should one conclude that Friedman's methodological pronouncements *deny* scientific status to his policy prescriptions? Assuming F53 offered an unambiguous and coherent methodological message, the latter option would seem to be the correct one.

How then can one draw the former conclusion, as Mosini seems to? One possible answer is that F53 is sufficiently ambiguous as to allow one to read all sorts of methodological pronouncements into it (Stanley 1985) — including ones that are consistent with Friedman's rhetorical advocacy of neoliberal policies. Mosini does not pursue this possibility.

In Chapter Five, Mosini moves to an examination of Friedman's claim that economic freedom promotes political freedom. Mosini breaks this formulation down into two core neoliberal theses: (A) that free markets inexorably lead to economic growth, and (B) that economic growth promotes political freedom. Mosini notes that Friedman's (1962, 1980) conception of freedom — the freedom from coercive interference and the freedom to choose — is exceedingly crude, but her chief concern is that his claims are empirically unjustified.

With respect to thesis (A), Mosini points out that the Fraser Institute's [4] *Economic Freedom of the World Project*, which claims to empirically demonstrate the thesis chiefly (but not only) via the *explanans* of free trade, utilises crude and malleable definitions of 'openness', ignores numerous other factors that may explain growth, and uncritically assumes the distribution of wealth will take care of itself. Drawing mainly on the work of Robert Wade, Mosini notes that differently interpreted, the data may suggest the opposite trend to that found by the Fraser Institute. As for thesis (B), Mosini challenges its universality. Her preferred account of the relation between capitalism and democracy is as follows. Real free markets entail asymmetric relations of 'dominance-submission' (p. 98) because economic power is in fact concentrated rather than dispersed. Those with economic power tend to garner political power which undermines democratic processes. Neoliberal policies of deregulation and privatisation only facilitate the concentration of private economic power, which in turn further concentrates political power. Concentration and deregulation also result in a greater capacity for North-South 'economic imperialism' (p. 98). Mosini goes on to offer two case studies — Pinochet's Chile in the 1970s and Mubarak's Egypt in the 1990s — as evidence that neoliberal economic reforms do not unambiguously result in economic prosperity or greater political freedom. She points out that in both cases the economic reforms did reduce inflation (eventually) but did not deal successfully with unemployment, market concentration, or income inequality. As for political freedom, both regimes were exemplary cases of the compatibility between neoliberalism and cruelly repressive dictatorships.

Mosini thus concludes that 'Friedman's *promise* that economic freedom would promote political freedom has not been fulfilled' (p. 110); rather, if anything, economic freedom translates into the concentration of political power and the retardation of democratic freedoms. Mosini's argument presupposes a conception of market agents and structure that is entirely different from Friedman's, but is not fully explicated or explored. In this regard, Mosini's thesis could have been strengthened by explicitly drawing upon the work of Institutionalist and neo-Marxist economists. Briefly, Mosini presupposes that free market capitalism cannot be characterised as a galaxy of utility-seeking atoms achieving a stable equilibrium of mutually beneficial exchanges, but rather is dominated by oligopolistic corporations engaged in a dynamic competitive struggle for survival and domination. An important aspect of this struggle is the capture and utilisation of state power in order to further capital accumulation — both 'real' and 'fictitious'. Thus the state tends to become a site of contestation between, and an instrument of, corporations — extractive, industrial and financial. The foundational principles of democratic states are thereby undermined — legislation and policy decisions are increasingly disconnected from the common will and largely become functions of inter-sectoral corporate struggles.

Mosini could also have fruitfully explored the basis of Friedman's deontological ethics. This would have enabled an explanation of why '[a]t no stage in *Capitalism and Freedom* did Friedman present evidence in support of the thesis defended' (p. 102). It would also explain Friedman's weaving together of non-democratic market processes and political freedom. Mosini sees Friedman's casual disregard for supporting evidence and his advocacy of non-democratic market processes as contradictions in his thought, but I think it is worse than that: they are evidence of a disturbing *consistency*.

First, it should be recalled that Friedman sought to establish what he regarded as '*logical* [not empirical] links between economic and political freedom' (Friedman 1962: 12).[5] Second, it should be noted that in essence, Friedman's ethical argument has an *a priori* foundation: individual freedom, defined in terms of the right to voluntary exchange of privately owned commodities, is a moral absolute. There is no debating it. No evidence bears upon its supremacy or rightness. One either accepts it or not; it is a matter 'about which men can ultimately only fight' (Friedman 1953: 5). Thus, third, Friedman's cavalier approach to empirical support for his claims to the political virtues of economic freedom makes sense if it is borne in mind that, for him, individual market-based freedom is an *a priori* ethical trump card that is analytically linked to political freedom. As he puts it: 'the kind of economic organization that provides economic freedom directly, namely, competitive capitalism, also promotes political freedom because it separates economic power from political power and in this way enables one to offset the other' (Friedman 1962: 9). Free markets take economic decisions over what, how much and how to produce commodities out of the hands of state planners; *ipso facto*, the power of the state is reduced. This then enables us to make sense of Friedman's attitude to actually existing states — democratic or no. For him, a free society is guaranteed by a state that first and foremost offers equal protection of each individual's inalienable rights to property ownership and voluntary exchange.[6] Such a state would severely limit democratic freedoms — it would not accede, in Friedman's words, to the will of 'a momentary majority' whose decisions violated the above individual economic rights (Friedman 1962: 15). Thus, a 'momentary majority' decision to, say, nationalise a major industry, or to set prices or minimum wages, or to choose a budget deficit, or to sanction public health care and education, or to prohibit discriminatory employment practices, is a fundamental *threat* to freedom, not an expression of it. Thus central banks must be independent of parliaments, and must follow pre-set monetary rules. Thus automatic stabilisers are to be favoured over popular discretionary budgetary measures. Thus the democratically elected socialist government of Allende in Chile was totalitarian. Thus the fascist dictatorship of Pinochet, which engaged in privatisation and deregulation, displayed some respect for freedom. This is how to make some sense of the apparent contradiction in Friedman's identification of freedom with oligopolistic anti-democratic states. But rather than saying this lacks empirical support or is falsified, it would be more appropriate to say that it is simply Orwellian.

In Chapter Six, Mosini concludes by reflecting on the economic, financial and moral implications of the neoliberal paradigm, particularly for the economics profession. In the face of the 2008 financial crisis, 'the acquiescence, when not the enthusiasm, with which most mainstream economists greeted the implementation of the neoliberalism paradigm … may be said to have opened up a moral question in the profession' (p. 122). Mosini argues that economists ignored the indicators that something was seriously wrong with the neoliberal paradigm: the failed Chilean experiment was glossed over; the South East Asian 'miracle' of the 1990s was systematically misconstrued as the success of *laissez faire* policies; and theoretical criticisms of market efficiency were given short shrift. Mosini admits that dogmatism is an inevitable feature of any paradigm (p. 126); recalcitrant evidence can always be excused by *ad hoc* arguments and rhetorical commonplaces. She nonetheless insists that evidence 'should play a greater role in assessing, and redressing, the current paradigm of economics' (p. 126).

In this chapter, Mosini also lays blame for the 2008 financial crisis at the feet of some of Friedman's economic work. She argues first that Friedman and Savage's (1948) 'as if' rationalisation of risk-taking — that people behave as if they are consciously maximising expected utility based on subjective probability judgements — helped eliminate Frank Knight's (and J.M. Keynes') concept of 'uncertainty' from economics. Mosini then links this conception of rational risk-taking to Friedman and Schwartz's (1963) work on monetary history. She argues that in view of the fact that subjective probability judgements could result in actually disastrous outcomes, especially when applied to large scale financial decisions, Friedman's solution was for central banks to act as a guarantor — a lender of last resort 'thus freeing entrepreneurs and investors from the burden of facing the potentially negative consequences of activities affected by high uncertainty, shifting those onto to the public at large' (p. 135). This showed a blatant disregard for the problem of moral hazard. Thus for Mosini, 'that governments should rescue failing, or failed financial institutions can be traced back to Friedman and Schwartz's (1963) *A Monetary History of the United States, 1867–1960* where the long-lasting recession of the 1930s was blamed on the Federal Reserve for not doing enough to support a troubled banking system' (p. 134). Further, the *prima facie* injustice of the contemporary bailouts — relatively poor citizens being 'punished' for crimes committed by financiers — is also attributed to Friedman because his methodological approach to policy elides such 'traditional moral considerations' (p. 138).

The case Mosini makes for holding the above selected work by Friedman partly responsible for the contemporary financial crisis strikes me as problematic for a number of reasons. First, one may rationally reconstruct a link between Friedman's argument for calculable risk (in the teeth of incalculable uncertainty) and his advocacy of 'last resort' lending, but Friedman himself seems not to have imagined one. Friedman and Savage (1948) do not make any explicit mention of banking policy, and Friedman and Schwartz (1963) do not even mention expected utility let alone make it a necessary component of their account of the Great Depression. Second, with respect to Friedman's work on risk-taking behaviour in relation to the contemporary financial crisis, it is difficult to say what role his pseudo-scientific 'as if' theorising — as opposed to other irrational psychological states and perverse institutional incentives — played in influencing traders faced with fat-tailed probability distributions. As far as theoretical work goes, other candidates surely have a greater claim to blame.[7] Third, with respect to Friedman's advocacy of the lender of last resort facility, it should be recalled that he certainly didn't invent the concept and his advocacy of it was by no means unique or controversial. In fact, his counterfactual recommendation for the Great Depression — the public provision of liquidity to relatively small, weak savings banks in order to prevent contagion — was fairly conservative by today's standards. The contemporary bailouts, by contrast, were for major insolvent non-savings financial institutions. It is difficult to hold Friedman directly responsible for the independent decisions of US Federal Reserve banks to extend the lender of last resort facility beyond the fairly limited boundaries he presumed (see Brimmer 1989). Fourth, it is not self-evident that advocacy of the lender of last resort facility necessarily entails ignorance of the problem of moral hazard (see Bernanke and Gertler 1990: 107–109). And fifth, it is worth recalling that in the 1950s, Friedman's 'ideal' vision of a financial system was one in which the lender of last resort facility and public bailouts would be rendered unnecessary (e.g. Friedman 1953: 135–136).[8]

This is not to say that there is no link between Friedman's work and the 2008 crisis. There is no doubt that Friedman's relentless campaign for a strong, pro-market, crypto-democratic state and what we now call microeconomic reform (deregulation, privatisation, and the removal of state-directed trade policies) had a powerful and pervasive impact on the ideological trajectory of economic policy. One may say that Friedman-as-preacher did more than any other economist to till the soil in preparation for neoliberal policies. One may fairly say that whatever Friedman's intentions (and we should recall Friedman's contrary 'ideal'), the extension of his mantra of deregulatory reform to the financial sector simultaneously increased market concentration, rendering the major players 'too big to fail' *and* enabled evermore risky behaviour that made their 'failure' increasingly likely. Thus when they did 'fail', the state was forced to step in with public bailouts in order to avoid wholesale economic collapse.

Finally, there is the question of whether Friedman's methodological approach to policy in general really does elide 'traditional moral considerations'. Unfortunately, Mosini does not elucidate what she means by the phrase 'traditional moral considerations'. Such loose terminology is problematic because one could easily argue that Friedman's 'market ethics' is in fact quite 'traditional' — at least in Anglo-American contexts. For example, an ethics premised on individual rights to ownership of private property, voluntary exchange, and protection from arbitrary state coercion is exemplified in the politico-ethical writings of John Locke — hardly a member of the *avant-garde*. Further to this, one could thus argue that 'an ethically driven normative framework' *already is* 'at the top of [mainstream] economists' "agenda" ' (p. 120) — it is just that its ethical framework and its policy conclusions are unacceptable, on different ethical grounds, to many. The problem then that Mosini is identifying is not the *lack* of an ethical framework, but what she perceives to be an *incorrect* or *unacceptable* ethical framework underlying mainstream economics. However, given Mosini's appeal to the work of the logical empiricist Robert Emmer (1967), she would seem to be compelled to regard 'traditional' moral concepts as empirically 'meaningless', and to agree with Friedman (1953: 5) that disagreements over ethical frameworks reduce to 'differences about which men can ultimately only fight' (Friedman 1953: 5). If this is so, it is difficult to see how one can rationally *argue* for a new 'ethically driven normative framework'.

Mosini concludes Chapter Six with some ruminations on the possibility for disciplinary and policy change. She calls for reform of the economics discipline so that it 'would constrain the positive element within an ethically driven normative framework' (p. 139), but with respect to policy concedes that those possessing institutionalised economic and political power are unlikely to move off the *status quo*. That leaves only 'those who do not benefit from the current state of affairs' (p. 138). They can only be agents of change however if they 'want' it: 'Will, combined with hope, can provide a powerful propeller potentially capable of unravelling a paradigm that, in the name of "positive" economics, is putting the positivist dream of progress to bed' (p. 139).

One would not wish to disagree with Mosini's sentiment here, but the idealism is curious. Given her strong case for the pervasive influence of (what amounts to) ideology, one is left wondering how the 'want' and the 'will' of those without power could avoid being warped and distorted by those with power over the very means by which alternatives are conceived. Witness, for example, the obliteration of the concept of 'socialism' from all public discourse in the Anglo-American world.

In conclusion, Mosini makes an interesting, even intriguing case for the claim that Friedman provided 'the methodological basis of the neoliberal paradigm' (p. 97). Her case is well worth reflecting upon and engaging with. As should be evident, I am not convinced that the case she makes is incontestable. In brief, I think F53 is too contradictory and ambiguous and Friedman's applied work is too methodologically diverse to sustain the claim to a single, unified framework for neoliberalism or anything else (cf. Helm 1984; Stanley 1985). I believe it is more accurate to say that neoliberalism has *no* genuine methodological basis; instead its proponents merely make opportunistic rhetorical claims to objectivity and scientific status when necessary. That said, *Reassessing the Paradigm of Economics* provides economists, both orthodox and heterodox, with much food for thought and constructs an original and challenging argument which specialists in methodology should grapple with.

Reviewed by **Edward Mariyani-Squire**
University of Western Sydney

Notes

1. Friedman goes on to give the example of minimum wage legislation. Since 'there is an underlying consensus on the objective of achieving a "living wage" for all' (Friedman 1953: 5) — that is, there is no dispute over the 'basic value' premise — the source of dispute is likely to be over whether the legislation would result in more or less poverty, which is an empirical question.
2. When Friedman speaks of the 'basic values' that are commonly held in 'the Western world', we should recall its 1950s Cold War connotations: the liberal-individualist United States vs totalitarian-collectivist Soviet Union. We should also recall Friedman's foundational participation in Friedrich Hayek's right-wing Cold War think tank — the Mont Pèlerin Society — with its fears for 'central values of [Western] civilization' (Mont Pèlerin Society 1947), to say nothing of Friedman's subsequent ideologically transparent *Capitalism and Freedom*.
3. Emphasis added.
4. The Fraser Institute is a privately funded Canadian free market think tank which champions Friedman's brand of neoliberalism.
5. Emphasis added.
6. With a modicum of creative thought, the right to free of speech and to life can be pressed into this basic schema (e.g. the right to life can be made parasitic on private ownership over one's own body).
7. See Quiggin (2010), Keen (2011) and Varoufakis, Halevi and Theocarakis (2011) for different theoretical culprits.
8. In Friedman's 'ideal' financial system, there would be a strict separation of savings and lending functions. Savings banks would be heavily regulated with one hundred percent reserves, enabling central bank control over the money supply. (It should be recalled that when it came to control of the money supply, Friedman was an anti-libertarian.) Lending for investment would be left to other, completely unregulated, private institutions. Such a system eliminated the need for bailouts of savings banks and (usually) prohibited bailouts of lending institutions. (If there were to be bailouts, they would have to be contracted with other companies).

References

Bernanke, B. and Gertler, M. (1990) 'Financial fragility and economic performance', *The Quarterly Journal of Economics*, 105(1), pp. 87–114.

Boland, L. A. (1979) 'A critique of Friedman's critics', *Journal of Economic Literature*, 17(2), pp. 503–522.

Brady, M. E. (1986) 'A note on Milton Friedman's application of his "methodology of positive economics" ', *Journal of Economic Issues*, 20(3), pp. 845–851.

Brimmer, A. F. (1989) 'Distinguished Lecture on Economics in Government: Central banking and systemic risks in capital markets', *The Journal of Economic Perspectives*, 3(2), pp. 3–16.

Emmer, R. E. (1967) *Economic Analysis and Scientific Philosophy*, Allen and Unwin, London.

Friedman, M. (1953) *Essays in Positive Economics*, Chicago University Press, Chicago.

Friedman, M. (1962) *Capitalism and Freedom,* Chicago University Press, Chicago.

Friedman, M. and Friedman, R. (1980) *Free to Choose*, Penguin Books, Harmondsworth.

Friedman, M. and Savage, L. (1948) 'The utility analysis of choices involving risk', *The Journal of Political Economy*, 56(4), pp. 279–304.

Friedman, M. and Schwartz, A. J. (1963) *A Monetary History of the United States, 1867-1960,* Princeton University Press, Princeton.

Helm, D. (1984) 'Predictions and causes: A comparison of Friedman and Hicks on method', *Oxford Economic Papers*, 36, pp. 118–134.

Keen, S. (2011) *Debunking Economics: The Naked Emperor Dethroned?*, Revised and expanded edition, London and New York.

Mäki, U. (2009) 'Unrealistic assumptions and unnecessary confusions: Rereading and rewriting F53 as a realist statement' in Uskali Mäki (ed.) *The Methodology of Positive Economics: Reflections on the Milton Friedman Legacy*, Cambridge University Press, Cambridge.

Mont Pèlerin Society (1947) Statement of Aims. Mont Pèlerin (Vaud), Switzerland, 8 April, available: https://www.montpelerin.org/montpelerin/mpsGoals.html [accessed 20 May 2012].

Quiggin, J. (2010) *Zombie Economics: How Dead Ideas Walk Among Us*, Princeton University Press, Princeton and Oxford.

Stanley, T. D. (1985) 'Positive economics and its instrumental defence', *Econometrica*, 52, pp. 305–319.

Varoufakis, Y, Halevi, J. and Theocarakis, N. J. (2011) *Modern Political Economics: Making Sense of the Post-2008 World,* Routledge, London and New York.

https://doi.org/10.1177/103530461202300210 Published online by Cambridge University Press